S. HRG. 99-753

NOMINATION OF DORCAS R. HARDY

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

NOMINATION OF
DORCAS R. HARDY TO BE COMMISSIONER OF SOCIAL SECURITY

MAY 15, 1986

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NOMINATION OF DORCAS R. HARDY TO BE COMMISSIONER OF SOCIAL SECURITY

THURSDAY, MAY 15, 1986

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 2:18 p.m., in room SD-215, Dirksen Senate Office Building, Hon. William L. Armstrong presiding.

Present: Senators Armstrong, Heinz, Moynihan, and Mitchell.

[The press release announcing the hearing and the prepared statements of Senators Armstrong and Mitchell follow:]

[Press Release No. 86-044]

FINANCE COMMITTEE TO REVIEW DORCAS R. HARDY NOMINATION

Senator Bob Packwood (R-Oregon) announced today that the Senate Committee on Finance will hold a hearing on May 15, 1986, to review the nomination of Dorcas R. Hardy to be Commissioner of Social Security.

Senator Packwood said that the nomination hearing that was originally scheduled for May 1, 1986, is now scheduled to begin at 2 p.m., Thursday, May 15, in room SD-215 of the Dirksen Senate Office Building. Senator William L. Armstrong (R-Colo.) will preside.

Dorcas Hardy is Assistant Secretary for Human Development Services at the Department of Health and Human Services. Ms. Hardy, of California, was previously the Associate Director of the Center for Health Services Research at the University of Southern California School of Medicine. She has served as Assistant Secretary of Health for California and has also worked as a health consultant.

Ms. Hardy received her undergraduate degree from Connecticut College and a Masters of Business Administration from Pepperdine University.

OPENING STATEMENT OF SENATOR WILLIAM ARMSTRONG

Members of the Committee and Ladies and Gentlemen: This afternoon we convene to meet President Reagan's choice to be the next Commissioner of the Social Security Administration, Dorcas Hardy of Virginia, who is currently the Assistant Secretary for Human Development Services at the Department of Health and Human Services.

Dorcas, we welcome you before the Committee and look forward to hearing your testimony.

Before you begin, let me note by way of background that Dorcas has served as assistant secretary since January 1981. For the past five years she has been the chief administrator for several human services programs at HHS including programs for children, youth, and families, and for the elderly and disabled. She has had responsibility for the Social Services Block Grant and the Foster Care program, a program on which I and Senator Moynihan have had occasion to work with you over the past several years. These programs totaled over $6 billion in spending last year. To run them, Dorcas managed a staff of 1,100 employees at the Office of Human Development Services.

Prior to joining the Reagan Administration in 1981, Dorcas served for seven years at the University of Southern California School of Medicine as associate director for the Center for Health Services Research. And prior to that, Dorcas served California Governor Ronald Reagan as assistant secretary for Health and was responsible for all State health program planning and implementation.

Dorcas, your resume is long and indeed impressive. Your experience in social policy and program management certainly gives you, in my judgement, impressive credentials for the task at SSA which you will shortly undertake.

Social Security's budget is just slightly larger than the $6 billion spent at HDS—in fact in excess of $200 billion. Social Security, as you well know, is the life blood of the income security for 37 million retired Americans and countless others who pay into this program each month. Its guardianship is of tremendous importance and concern to all Americans and to this Committee. So I expect this will be perhaps your greatest challenge. I'm confident you are equal to the task.

I won't take more time to review the rest of your professional background and extensive writings—we'd be here all day—so I will insert it in the record. It is my hope that we can proceed expeditiously this afternoon. I'd like to recognize our ranking member, Senator Moynihan, if you have an opening statement.

STATEMENT OF SENATOR MITCHELL

Mr. Chairman, I appreciate having an opportunity to join with you and other Members of the Subcommittee on Social Security and Income Maintenance Programs in questioning the President's nominee for Commissioner of Social Security, Dorcus R. Hardy.

The position of Commissioner of the Social Security Administration is an extremely important one in our federal government. The Social Security Administration is the caretaker for the nation's growing elderly population. Since its inception in 1935, Social Security has provided basic economic support for those in our society least able to care for themselves.

Over the years, through both Democratic and Republican Administrations, the Social Security Program has been supported by nearly every person in public office.

Recently, however, events have occurred which are a matter of concern. The Social Security Trust Funds were intended to support the Social Security Program. The funds are intended to be used to pay elderly beneficiaries the amount they are entitled to, according to their investment in the program.

The funds are not intended to be used to "bail out" the U.S. Treasury during a fiscal crisis.

Those of us in Congress must monitor the Social Security Administration carefully, to assure that the stewards of this vital program, will administer the program in the manner in which it was intended by Congress.

I welcome Dorcus Hardy to this hearing today, and look forward to having an opportunity to discuss a number of issues with her which are of great concern to the people of my state.

Senator ARMSTRONG. The committee will come to order.

We are gathered this afternoon to conduct a hearing on the President's choice for the next Commissioner on Social Security, Dorcas Hardy of Virginia who, as the committee well knows, is now the Assistant Secretary for Human Development Services of the Department of Health and Human Services.

I have a statement which I intend to insert in the record; and I also want to state for the record that the committee has reviewed the nominee's financial disclosure materials and received a letter from the Director of Government Ethics, signifying that Mr. Hardy's compliance with the Ethics in Government Act is complete; and that letter will also be made a part of this record.

Before I call on Senator Moynihan, he has suggested that perhaps we would hear first from our colleague, Mr. Mario Biaggi, who is here, I think, to introduce the new Commissioner.

[The Government Ethics letter and a biographical sketch of Dorcas R. Hardy follows:]

United States of America
Office of Government Ethics

Office of Personnel Management
P.O. Box 14108
Washington, D.C. 20044

MAR 25 1

Honorable Robert Packwood
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Dorcas R. Hardy, who has been nominated by President Reagan for the position of Commissioner of the Social Security Administration of the Department of Health and Human Services.

We have reviewed the report and have also obtained advice from the Department of Health and Human Services concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. Ms. Hardy has agreed either prior to or upon confirmation to divest herself of the Motorola stock which is currently part of her IRA. Based upon this commitment, we believe that Ms. Hardy is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

Enclosure

CON 132-64-0
March 1980

MARCH 25, 1986

1. NAME

DORCAS R. HARDY

2. ADDRESS

2909A South Woodstock Street
Arlington, Va. 22206

MAILING ADDRESS

U.S. Department of Health and
Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

3. Date and Place of Birth

July 18, 1946 -- Newark, New Jersey

4. MARITAL STATUS

Single

5. NAMES & AGES OF CHILDREN

None

6. EDUCATION

Connecticut College, New London, Connecticut, 1968, B.A.
Pepperdine University, Los Angeles, California, 1976, M.B.A.
Harvard University Executive Program in Health Policy and Financial Management, December, 1978

7. EMPLOYMENT RECORD

January, 1981 - Present: Assistant Secretary for Human Development Services, Department of Health and Human Services, Washington, D.C.

Appointed by President Reagan and confirmed by the U.S. Senate to administer human services programs for children, youth and families; the elderly, the disabled and Native Americans; and funding to states for social services to help low-income families. Responsible for more than $6 billion budget and over 1100 employees. Management of diverse categorical and block grant social service programs, emphasizing New Federalism approaches, and integrated human services and management. Chairman, President's Task Force on Legal Equity for Women.

October, 1974 - January, 1981: Associate Director, Center for Health Services Research, University of Southern California School of Medicine

Established and directed multi-disciplinary research center designed to address economic, social and health policy issues with a staff of approximately 20 professionals. Grants from government and private agencies for projects in areas of health care technology, alcohol diversion, hospital data management systems, health benefits utilization and rural and international alternative health systems. Designed, marketed and conducted hospital financial feasibility studies, health planning and evaluation programs and cost benefit analyses.

April, 1974 - December, 1974: Health Consultant, Urban Management Consultants and Medi-Mark, Inc., California

Design and development of health care delivery systems, evaluation of government services for children, feasibility studies and health program planning and development.

January, 1973 - April, 1974: Assistant Secretary for Health, California Health and Welfare Agency, Sacramento, California

Responsible for all State health program policy planning, development and implementation. Instrumental in reorganization of new Department of Health combining three former departments involving social services, Medicaid, mental health and public health with 22,000 employees and $2.5 billion annual budget.

November, 1971 - January, 1973: Executive Director, Health Services Industry Committee, Cost of Living Council, Wash., D.C.

Executive Director of 21-member Presidentally appointed Committee comprised of national leaders of health industry. Developed regulations governing health sector during Phases II and III of the Economic Stablization Program.

April, 1970 - June, 1971: Special Assistant to National Chairman and Director, White House Conference on Children and Youth, Washington, D.C.

Responsible for organization, including selection and recruitment of 400 interdisciplinary task force members comprising nation's experts in children's affairs. Supervised planning and organizational activities of 12 children's specialists. Liaison with executive personnel from governmental agencies, major corporations and media. Program Coordinator of National Conference of 5,000 participants. Post-Conference coordination of follow-up activities. Directed Youth Sponsorship Program.

January, 1970 - April 1970: Legislative Research Assistant, U.S. Senator Clifford P. Case, Washington, D.C.

8. GOVERNMENT EXPERIENCE

All government experience is noted above

9. MEMBERSHIPS

Member, National Advisory Council on Continuing Education, Department of Education, representing Department of Health and Human Services, 1981 to present

Member, Executive Women in Government, 1981-present

Member, California Hospital Association, 1973-1981

Board of Directors, Volunteers in International Service and Awareness, Santa Barbara, Ca., 1979-1981

Advisory Board of Directors, Pasadena Heritage, 1978-1981

Connecticut College Alumni Association, Key Alumna, Los Angeles Area, 1978-1981

Board of Directors, All Saints Children's Center, Pasadena, Ca., 1977-1981

Board of Directors, Sierra Madres Girl Scout Council, Pasadena, Ca., 1979-1981

Junior League of Pasadena, California, 1975-present

World Association of Girl Scouts and Girl Guides and Girl Scouts of U.S.A.: Adult Home Visit and Service Project, Pakistan, 1968-1969; Year 2000, Bahamas, 1968, a top-level research and planning conference; Staff, Our Chalet, Adelboden, Switzerland, 1964, 1969, 1971; Life Member, Girl Scouts of U.S.A.

10. POLITICAL AFFILIATIONS AND ACTIVITIES

1976: Staff, California Delegation to Republican National Convention, Kansas City, Missouri

1980: Volunteer, Reagan-Bush Presidential campaign

1982 & 1984: Campaign speeches for numerous Republican Congressional and Senatorial candidates. Contributions to Republican National Committee and National Federation of Republican Women, Los Angeles County Supervisors Michael Antonovich and Deane Dana. Surrogate Speaker for Reagan-Bush Re-elect campaign.

Member, National Federation of Republican Women
Member, Republican Federal Forum

11. HONORS AND AWARDS

Phi Beta Kappa, Connecticut College, New London, Conn., 1985

Who's Who of American Women, 1978-Present
Outstanding Young Women of America, 1978, 1981
Who's Who in American Politics, 1982-present

Recognition and Appreciation:
- One Church, One Child, Illinois, 1983
- National Committee for Adoption, Washington, D.C.
- National Youth Work Alliance, Washington, D.C.
- Los Angeles County Department of Adoptions
- Rocky Mountain Adoption Exchange, Denver, Colorado
- North American Council on Adoptable Children, Inc., Washington, D.C.
- Parent-Child, Inc. of San Antonio and Bexas County, Texas
- Associated Beth Rivkah Schools - Lubavitch, New York, N.Y.
- Family Resource Center, St. Louis, Missouri
- Coalition of Hispanic Mental Health and Human Services Org.
- Alu Like, Inc., Honolulu, Hawaii
- National Association of Court Appointed Special Advocates
- State of Alabama and Alabama Commission on Aging
- Colleague Helpers in Philanthropic Service, Children's Institute International, Los Angeles, Ca.
- National Association of Area Agencies on Aging, Washington, D.C.
- Older Adults Service and Information System, St. Louis, Mo.
- Dade County Community Action Agency, Miami, Florida

Awards:

- Sparks Center, University of Alabama, Birmingham
- National Humanitarian Award, The National Coalition of Hispanic Mental Health and Human Services
- Distinguished Service Award, Child Abuse Unit for Studies, Education and Services (CAUSES), Chicago, Il.
- Highest Achievement Award, Council of Jewish Federations, Washington, D.C.
- Thomas Rivera Award, The National Hispanic University, San Francisco, Ca.
- Colorado Federation of Republican Women
- Delaware Federation of Republican Women, Dover, Delaware
- Women Business Leaders, Dover, Delaware

12. PUBLISHED WRITINGS

American Hospital Association. Technology Evaluation and Acquisition Methods for Hospitals (TEAM), Chicago, Il.: American Hospital Association, 1979.

Hardy, D.R., A Study of Attitudes Toward the Use of an Automated Information System, Pepperdine University, 1976

Hardy, D.R., and Rank, P.C., Evaluation of CHAMPUS Claims Appeal Mechanism, University of Southern California, 1975. (Report submitted to U.S. Army Defense Supply Service, Grant #MDA903-75-M-7856)

Hardy, D.R., Young, E.M., Delker, M., Determination of Legal and Social Benefits, Rights and Remedies Accruing to Illegitimate Children Upon the Establishment of Paternity, University of Southern California, 1978 (Report submitted to Office of Human Development, Department of Health, Education and Welfare, #90-C-1334).

Hardy, D.R., Jewett, A., and Young, E.M. Determination of Optimal Support Processing and Collection Techniques for Interstate Child Support Enforcement Cases, University of Southern California, 1979 (Report submitted to Social Security Administration, #18-P-00104-9-01).

Hardy, D.R., Young, E.M., and Brian, E.W. "Automated Hospital Information Systems Workbook", Proceedings of The Fourth Annual Symposium on Computer Applications in Medical Care, November, 1980.

Young, E.M., Hardy, D.R., and Armstrong, P.S. "Evaluation of Staff Attitudes Towards the Implementation of A Automated Hospital Information System", Proceedings of The Fourth Annual Symposium on Computer Applications in Medical Care, November, 1980

Hardy, D.R., "How Government Can Serve Children and Families," in Family Building, George Rekers, Editor, 1985

Hardy, D.R., "The Social Role Of Government in a Free Enterprise System," The Social Welfare Forum, National Conference on Social Welfare, 1985.

Hardy, D.R., "Adoption of Children with Special Needs: A National Perspective," American Psychologist, Vol. 39, No. 8, August 1984, pp. 901-904.

Hardy, D.R., USA Today, OPINION, The Debate, Women's Rights, February 20, 1984

Hardy, D.R., Perspective, Baby Doe, Is Federal Government Intervention Justified, Scripps-Howard News Service, Feb. 16, 1986

STATEMENT OF MARIO BIAGGI, U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Congressman BIAGGI. Thank you very much, Mr. Chairman.

Senator MOYNIHAN. Mr. Chairman, I have a statement that I, too, would like to have inserted in the record. And we welcome our colleague and my particular friend from New York, Mr. Biaggi, and Secretary Hardy.

Congressman BIAGGI. Thank you, Mr. Chairman, and my good friend, Senator Moynihan, from the premier State of the Nation. I thank you for the opportunity of introducing Dorcas R. Hardy, who has been nominated by the President of the United States to be our Nation's next Commissioner of the Social Security Administration.

Dorcas Hardy is imminently qualified to assume this most important position. She has a career of service in both State and national government, in the public sector and in the private sector. This career has been impressive and replete with accomplishments. I might note it includes work as a legislative assistant for a most distinguished former Senator, Clifford Case of New Jersey.

In addition, and in order of chronology, Dorcas Hardy has served as a director of the White House Conference on Children and Youth, assistant secretary for health in the State of California, and associate director of the center for health services research at the University of Southern California for Medicine. My particular association with Dorcas spans the entire 5 years that she has served in her present job as Assistant Secretary for Human Development Services for the Department of Health and Human Services.

From the very first time I met Dorcas Hardy, I have been impressed with her unwaivering professionalism, her sense of mission and commitment to the ideals and policies of the administration. Obviously, as a member of the Democratic Party, I have rarely found myself in agreement with those policies. But to coin a phrase, "While I have found with the message, I have always respected the messenger."

Dorcas Hardy is a hands-on administrator, a quality which is absolutely essential in running an agency as large and as important as the Social Security Administration. In her present capacity, Dorcas Hardy oversees a budget in excess of $6 billion and more than 1,100 employees. In addition, Dorcas Hardy would assume this position knowledgeable about other Federal programs benefiting the elderly who will be her new main constituency.

She has worked over these past 5 years together with the Commission on Aging to protect the Old Americans Act. She has helped to preserve both its integrity and effectiveness. I am aware of this because I serve as senior member of the Authorizing Committee for the Older Americans Act, the Education and Labor Committee. In addition, I serve as chairman of the House Select Committee on the Aging Subcommittee and Human Services. I have had the opportunity on numerous occasions to work with Dorcas. I would say that she has more than held up her part of the executive/congressional partnership which has guaranteed the continued success of this program.

I have alluded to the fact that Dorcas and I have not always been eye to eye on policy issues; yet as members of this most distin-

guished committee, no; that is not the main criterion for approving a nominee. It is the individual; is the individual qualified? Is the individual sufficiently experienced? Does the individual have a proven record of success and accomplishment?

On all scores, the answer with respect to Dorcas Hardy is a resounding "Yes"; and therefore, I am proud to introduce her today for your consideration.

Senator ARMSTRONG. Mr. Biaggi, we are delighted to have you with us. We very much appreciate your sentiments. I am sure that Secretary Hardy is especially grateful for your observations and, at the right moment, I am going to point out for her that she had better relish those comments while she can because those occasions of such wonderfully complimentary remarks around here are all too rare; but we do thank you for coming to be with us.

Congressman BIAGGI. Thank you very much, Mr. Chairman.

Senator ARMSTRONG. We are pleased to note that our colleague, Senator Domenici, is here. Senator, we would be delighted to have any statement you might have at this time.

STATEMENT OF HON. PETE V. DOMENICI, U.S. SENATOR FROM THE STATE OF NEW MEXICO

Senator DOMENICI. Thank you very much, Mr. Chairman and members of the committee. You might ask why I am here. I am from New Mexico; Dorcas Hardy is not. As I looked through her academic record, she has a Phi Beta Kappa; and that is not a New Mexico school either.

Really, the reason that I am here is very simple. She asked me if I would do this. Frankly, I was very delighted that she invited me and am just very pleased to be here.

I happen to know her because of her work. Indeed, she has been to my State a couple of times. That was on official business. I was greatly impressed with her attitude, not only with reference to the policies of this administration, but her genuine concern as she went about her business of administering the programs. We all know what they are: very large programs amounting to $6 billion. She was always willing to listen. She had a quick grasp of how programs were working and where they worked.

I think it is exciting for us to have a Presidential nominee who is going to be head of the Social Security System, the largest single account in our Government. No matter how you look at it, between Social Security and Medicare, it is the largest, and to have someone such as Dorcas Hardy as the nominee is an excellent choice. She has adequate experience in management. There is no doubt about that. She started before she came here with a very large department. She was assistant secretary of the Human Services Department in California, our largest State.

So, again, I repeat that I think the nominee is an excellent one. I hope this committee recommends her to the U.S. Senate quickly, and I hope the U.S. Senate approves her quickly also. And I thank her for asking me to do this, and I thank you for giving me an opportunity to speak a few words in her behalf.

Senator ARMSTRONG. And we are grateful to you for coming. Thank you, Pete. We are glad to welcome to the committee our colleague and friend from Alabama, Senator Jeremiah Denton.

[The prepared statement of Senator Pete Domenici follows:]

STATEMENT OF SENATOR PETE V. DOMENICI

DORCAS R. HARDY NOMINATION

SOCIAL SECURITY COMMISSIONER

JUNE 18, 1986

Mr. President, Dorcus R. Hardy has been nominated to be the first woman Commissioner of the Social Security Administration, a job which I feel she is more than capable of doing. Ms. Hardy has acquired relevant experience in management by holding such positions as current Assistant Secretary for the Human Development Services. She was nominated for this position by President Reagan then confirmed by the Senate on May 4, 1981. Ms. Hardy has been responsible for administering a six billion dollar program with over 1,100 employees for the past five years. Her record of accomplishment speaks highly of her abilities to lead and direct a large national program.

She has also demonstrated her leadership ability by holding such positions as Chairman of the President's Task Force on Legal Equity for Women and Assistant Secretary for Health with the California Health and Welfare Agency. She was responsible for all state health program policy planning, development and implementation. With this agency Ms. Hardy was instrumental in the reorganization of the new Department of Health combining three former departments involving social services, Medicaid as well as mental and public health with over 22,000 employees and a $2.5 billion annual budget. Her experience in social service includes such positions as Associate Director at the Center for Health Services Research at the University of Southern California School of Medicine and Executive Director of the Health Services Industry Committee with the Cost of Living Council in Washington, D.C.

I believe Ms. Hardy's competency for the position of Commissioner of the Social Security Administration is further enhanced by the honors and awards she has received including recognition by Who's Who of American Women since 1978, the Outstanding Young Women of America in 1978 and 1981 as well as being Phi Beta Kappa at Connecticut College in 1985.

If appointed to this position Ms. Dorcus R. Hardy would serve with distinction as the first woman Commissioner of the Social Security Administration. It is because of her leadership and demonstrated ability in management as well as her knowledge and more than adequate experience in health and human services that I feel Ms. Hardy is an excellent choice for head of the Social Security System.

STATEMENT OF HON. JEREMIAH DENTON, U.S. SENATOR FROM THE STATE OF ALABAMA

Senator DENTON. Thank you, Mr. Chairman and members of the committee—distinguished members.

I worked—to put in my two cents—with Ms. Hardy through my entire tenure in the Senate. I was 4 years directly associated with her professionally while I served on the Senate Labor and Human Resources Committee. We had a number of mutual interests there, and I found her to be full of expertise, balance, and certainly absolutely qualified to take on the additional responsibility as Commissioner of Social Security. I fully support her nomination and hope that the members of this committee will do the same.

She has truly rendered outstanding service, not only to the administration and the country, but especially to the many needy Americans for whom she has had stewardship. She is committed to helping the poor and disadvantaged and especially committed, I think, to helping them become productive and valued members of American society, which is something in which I know that members of this committee share an interest.

She has been a particularly effective spokesperson on issues affecting children, such as child abuse and adoption services. Her long experience with the delivery of social services to families, children, the elderly, the disabled, and native Americans, coupled with her compassion and dedication to hard work, make her a logical and sound choice to administer our most significant program for elderly Americans. Like Congressman Biaggi, I did have responsibility for the Older Americans Program and a number of others with which Ms. Hardy was involved; and I can't think of another person in Government who was more helpful and more knowledgeable in assisting me to do my job than she.

It is a pleasure to offer a few words in her support.

Senator ARMSTRONG. We are glad to have you here. Thank you for coming by. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I notice that Senator Mitchell has arrived. I think he has a statement, and we will look forward to his reading it. So, I will excuse myself for just 2 minutes.

Senator MITCHELL. Thank you very much, Mr. Chairman and Senator Moynihan. I do have a statement, but in the interest of time, I will ask the chairman to have it inserted in the record at the appropriate point.

Senator ARMSTRONG. We will be happy to do that.

Senator MITCHELL. Ms. Hardy, I welcome you. I will say that I have a series of questions which I will submit in writing, Mr. Chairman. I happen to be a member of the conference, which is now meeting on an almost continuous basis, and I will have to go to that. I will look forward to reading the testimony of this hearing, and I know that you will be answering my questions as promptly as you are able.

Ms. HARDY. Yes, sir.

Senator MITCHELL. All right. Thank you very much. And thank you, Mr. Chairman and Senator Moynihan.

Senator ARMSTRONG. Thank you, Senator Mitchell.

Senator MOYNIHAN. May I have the floor, Mr. Chairman?

Senator ARMSTRONG. Yes; go ahead.

Senator MOYNIHAN. Mr. Chairman, just by way of prolog, a matter that in no way involves Secretary Hardy, but which I think the record should show, is that we welcome the Secretary. We have been looking for your likes for 2 years and 8 months. It has been an extraordinary and unexplained phenomenon of the present administration that there has been no sustained permanent appointment of a commissioner of the Social Security Administration, as if the administration were being phased out.

It is quite literally the case that, as of May 14, Martha McSteen, whom I know is a valued colleague of yours as a career officer, has been Acting Commissioner for 2 and 8 months. Never before has there been an Acting Commissioner longer than 10 months. This has been a post that Presidents have felt a responsibility to fill and to fill quickly and, in the main, they have done so ably.

But in the past 5 years, we have had only one permanent appointment, that of John Svahn, who was there for a short period. He was preceded by an Acting Commissioner and followed by one afterward; and now finally, after 5 years, we have a nominee from the administration appearing before our committee and we welcome you in that.

I think something is to be noted, and that is that if you are confirmed, you will become the seventh Commissioner of the Social Security Administration in the last 9 years. There have been seven Commissioners, acting or otherwise, in one form or another, in the last 9 years.

As several of the Senators who introduced you observed, this is the largest administrative task in the Federal Government. You will know better than I, but some 37 million checks are mailed each month. The administrative workload has been one of administrative efficiency; over the years, the administrative costs are less than 1.5 percent, and yet the Presidents aren't paying attention and aren't getting commitments.

Let me just say to you that I am not talking only about the current President; I am talking about the previous Presidents as well. For example, one Stanford G. Ross punched his ticket in October of 1978 under President Carter and stayed a solid 14 months and felt that would be all he could do for his legal fees, and he left. And at that time I went to the floor of the Senate to say that I thought that was an irresponsible act, to take that job and not stay more than 14 months.

There has been a bipartisan tradition in this regard. Charles Schottland, who was appointed by President Eisenhower, was an eminent person; William Mitchell, who served under Eisenhower and Kennedy; Robert Ball served Kennedy, Johnson, and Nixon, and so forth. And in addition, we have a tradition of an unacceptable number of the permanent positions at the Social Security administration being held by acting officials.

When Dr. Bowen was here in December a year ago before us as a nominee for Secretary of Health and Human Services, I asked him what he might do about this problem, and, he could find some time in his day for this subject. And I don't doubt that he has tried, but he hasn't succeeded.

62-887 0 - 86 - 2

The Deputy Commissioner for Programs and Policy is acting. The Deputy Commissioner for Management and Assessment is acting. The Deputy Commissioner for Systems is acting. The Associate Commissioner for the Office of Central Operations is acting. There are four Deputy Commissioners in the administration; three of them are still acting.

I can't imagine that there is a design to see that the organization doesn't work or its morale is collapsed; but somehow this matter needs to be explained, and I hope you will help me on it because it is not very well done in my view.

Ms. HARDY. Thank you, sir.

Senator ARMSTRONG. Thank you, Senator Moynihan. Senator Heinz.

Senator HEINZ. Mr. Chairman, I have no opening statement. I do have some questions for Ms. Hardy, but has she had a chance to make her statement yet?

Senator ARMSTRONG. Not yet, but we are about to get to that.

Senator MOYNIHAN. She hasn't been able to say a word. [Laughter.]

Senator HEINZ. Since I have no statement, I think it would be good if we heard from Ms. Hardy.

Senator ARMSTRONG. I think that would be great. We are very pleased to have you here today, and I am going to insert into the record—and I won't take time to say more about it—a statement which the majority leader has sent in which he warmly endorses your nomination and predicts its speedy approval by the Senate; so you will want to be aware of that.

And so, with that word of introduction, we are glad to have you here and look forward to hearing what is on your mind as the committee considers your nomination.

[The prepared statement of Senator Dole follows:]

STATEMENT OF SENATOR DOLE

NOMINATION OF DORCAS HARDY TO BE COMMISSIONER OF SOCIAL SECURITY

MR. CHAIRMAN--

THE SOCIAL SECURITY ADMINISTRATION IS ONE OF OUR MOST IMPORTANT, IF NOT THE MOST IMPORTANT, GOVERNMENT AGENCIES. SOCIAL SECURITY IS THE LARGEST SINGLE FEDERAL DOMESTIC PROGRAM, DISPENSING ABOUT $15 BILLION IN BENEFIT PAYMENTS EACH MONTH TO SOME 36 MILLION WORKERS--ABOUT ONE OUT OF EVERY 7 AMERICANS.

THAT'S WHY IT IS SO IMPORTANT TO HAVE A STEADY HAND DIRECTING SSA. VIRTUALLY NO FAMILY IN AMERICA IS UNTOUCHED BY THE ACTIONS OF THE SOCIAL SECURITY ADMINISTRATION. THAT IS WHY I AM PLEASED THAT THE COMMITTEE IS ACTING TODAY ON THE NOMINATION OF DORCAS HARDY TO BE COMMISSIONER OF SOCIAL SECURITY.

MR. CHAIRMAN, DORCAS HARDY HAS HAD EXCEPTIONAL EXPERIENCE IN ADMINISTERING CRITICAL GOVERNMENT BENEFIT PROGRAMS. I WAS CHAIRMAN OF THIS COMMITTEE IN 1981 WHEN WE CONFIRMED DORCAS IN HER PRESENT POSITION: ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES. AT THAT TIME WE FOUND HER EXTREMELY WELL-QUALIFIED, PARTICULARLY IN LIGHT OF HER EXPERIENCE IN ADMINISTERING HEALTH AND WELFARE PROGRAMS IN THE STATE OF CALIFORNIA.

SINCE THAT TIME DORCAS HARDY HAS WORKED DILIGENTLY TO IMPLEMENT THE ADMINISTRATION'S POLICIES REGARDING HUMAN SERVICES, AND SHE HAS WORKED VERY CLOSELY WITH THIS COMMITTEE, PARTICULARLY IN SEEKING BETTER WAYS TO BALANCE THE FEDERAL AND STATE ROLES IN DELIVERING BASIC HUMAN SERVICES. I KNOW SHE WILL USE THAT EXPERIENCE WELL IN HER NEW ROLE AT THE SOCIAL SECURITY ADMINISTRATION.

MR. CHAIRMAN, I BELIEVE IT IS IMPORTANT FOR US TO EXPEDITE THIS NOMINATION SO THAT THE NEW COMMISSIONER OF SOCIAL SECURITY CAN TAKE UP HER TASK. AS WE LEARNED IN PASSING THE 1983 SOCIAL SECURITY REFORMS, WE CANNOT TAKE SOCIAL SECURITY FOR GRANTED. SOCIAL SECURITY IS A COMPACT AMONG DIFFERENT GENERATION OF AMERICANS, AND KEEPING THE TRUST FUNDS SOLVENT WITHOUT ALIENATING NEW GENERATIONS ENTERING THE WORKFORCE WILL ALWAYS BE A DIFFICULT TASK. THAT IS THE CHALLENGE SOCIAL SECURITY WILL FACE IN THE YEARS TO COME.

LET ME CONCLUDE, MR. CHAIRMAN, BY EXPRESSING MY PERSONAL THANKS AND DEEP APPRECIATION FOR THE OUTSTANDING JOB MARTHA MCSTEEN HAS DONE AT THE SOCIAL SECURITY ADMINISTRATION--DURING A VERY DIFFICULT TIME. I KNOW THIS ENTIRE COMMITTEE SHARE MY ADMIRATION FOR MARTHA'S PROFESSIONALISM, COURTESY, AND JUST PLAIN HARD WORK.

STATEMENT OF DORCAS R. HARDY, NOMINEE TO BE COMMISSIONER OF SOCIAL SECURITY

Ms. HARDY. Thank you, Mr. Chairman. I am certainly honored to be here today, and I appreciate the confidence that both the President and Secretary Bowen have expressed in me by nominating me to be Commissioner of the Social Security Administration.

I am especially proud because my view of the Social Security Administration is that it is not only the best-known domestic agency, but also the most respected. Its record of achievement has deservedly earned it the highest public trust.

The programs that the agency runs involve virtually every American citizen. Over 40 million older Americans, the disabled and their families, are directly served each month by the Social Security Administration. Millions of Americans plan their finances around the assurance that they can depend on Social Security to deliver on time each and every month.

The Social Security Administration's record of dependability is certainly enviable and must be maintained. I believe that the main goal of each and every Commissioner of Social Security should be to keep the structure strong and healthy. There are several basic ingredients to doing this:

The first is to maintain the fiscal integrity of the Social Security programs. Virtually every American worker is investing in and has a vested interest in Social Security. It needs to remain in strong financial condition.

We need to provide the best service across the country that we know how. The American people whose lives we touch deserve prompt, courteous and efficient service, and fair and dignified treatment. I am committed to maintaining these high standards in the quality and level of services.

Third, we need to use the best technology that is available to administer the Social Security programs. A priority of mine will be to continue the effort to modernize Social Security operations, and thereby improve our ability to serve the beneficiaries.

We also need to recognize and support the vital role of Social Security Administration employees as they continue to maintain one of the highest standards of service in the Government. SSA is fortunate in having highly skilled and committed career civil servants, a family of workers justly proud of their achievements and dedicated to their mission.

We also need to emphasize education of the public so that people understand what they can expect from the system. In the recent past, there has been a great deal of concern about the future of Social Security, and steps have been taken to ensure its sound future. But the program requires a very high level of public confidence and trust, which can only be built on knowledge. We need to educate new workers to their benefits and responsibilities under the system, as well as to assure experienced workers their investments will be repaid.

I would like the Social Security Administration to continue to be recognized and respected as a strong, responsive organization. The way to do that, I believe, is to ensure that high quality service to beneficiaries is the goal of every aspect of the operation.

Before I conclude, I would like to thank Martha McSteen for her outstanding service as Acting Commissioner. Her dedication and experience have made her a valuable asset to the Social Security Administration, and she is to be especially commended for her stewardship of the organization and its programs.

I would also like to assure you of my commitment to working with you and your colleagues in the future as we deal with the program and policy issues that are sure to arise in these important programs. Thank you, Mr. Chairman.

I would be glad to answer any questions you or the committee may have.

Senator ARMSTRONG. Thank you very much. Senator Heinz.

[The prepared written statement of Ms. Hardy follows:]

STATEMENT BY

DORCAS R. HARDY

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

MAY 15, 1986

THANK YOU, MR. CHAIRMAN. I AM HONORED TO BE HERE TODAY, AND I APPRECIATE THE CONFIDENCE THAT PRESIDENT REAGAN AND SECRETARY BOWEN HAVE EXPRESSED IN ME BY NOMINATING ME TO BE COMMISSIONER OF THE SOCIAL SECURITY ADMINISTRATION.

I AM ESPECIALLY PROUD BECAUSE MY VIEW OF THE SOCIAL SECURITY ADMINISTRATION IS THAT IT IS NOT ONLY THE BEST-KNOWN DOMESTIC AGENCY BUT ALSO THE MOST RESPECTED. ITS RECORD OF ACHIEVEMENT HAS DESERVEDLY EARNED IT THE HIGHEST PUBLIC TRUST.

THE PROGRAMS THIS AGENCY RUNS INVOLVE VIRTUALLY EVERY AMERICAN CITIZEN. OVER FORTY MILLION OLDER AMERICANS, THE DISABLED AND THEIR FAMILIES, ARE DIRECTLY SERVED EACH MONTH BY THE SOCIAL SECURITY ADMINISTRATION. MILLIONS OF AMERICANS PLAN THEIR FINANCES AROUND THEIR ASSURANCE THAT THEY CAN DEPEND ON SSA TO DELIVER ON TIME EACH AND EVERY MONTH.

SSA'S RECORD OF DEPENDABILITY IS ENVIABLE AND MUST BE MAINTAINED. I BELIEVE THAT THE MAIN GOAL OF EACH AND EVERY COMMISSIONER OF SSA SHOULD BE TO KEEP THE STRUCTURE STRONG AND HEALTHY. THERE ARE SEVERAL BASIC INGREDIENTS TO THIS:

- WE MUST MAINTAIN THE FISCAL INTEGRITY OF THE SOCIAL SECURITY PROGRAMS. VIRTUALLY EVERY AMERICAN WORKER IS INVESTING IN, AND HAS A VESTED INTEREST IN SOCIAL SECURITY. IT MUST REMAIN IN STRONG FINANCIAL CONDITION.

- WE MUST PROVIDE THE BEST SERVICE ACROSS THE COUNTRY THAT WE KNOW HOW. THE AMERICAN PEOPLE WHOSE LIVES WE TOUCH DESERVE PROMPT, COURTEOUS AND EFFICIENT SERVICE, AND FAIR AND DIGNIFIED TREATMENT. I AM COMMITTED TO MAINTAINING HIGH STANDARDS IN THE QUALITY AND LEVEL OF SERVICES.

- WE SHOULD USE THE BEST TECHNOLOGY AVAILABLE TO ADMINISTER THE SOCIAL SECURITY PROGRAMS. A PRIORITY OF MINE WILL BE TO CONTINUE THE EFFORT TO MODERNIZE SSA OPERATIONS, AND THEREBY IMPROVE SSA'S ABILITY TO SERVE ITS CLIENTS.

- WE NEED TO RECOGNIZE AND SUPPORT THE VITAL ROLE OF SSA EMPLOYEES AS THEY CONTINUE TO MAINTAIN ONE OF THE HIGHEST STANDARDS OF SERVICE IN THE GOVERNMENT. SSA IS FORTUNATE IN HAVING HIGHLY SKILLED AND COMMITTED CAREER CIVIL SERVANTS -- A "FAMILY" OF WORKERS JUSTLY PROUD OF THEIR ACHIEVEMENTS AND DEDICATED TO THEIR MISSION.

- o WE SHOULD EMPHASIZE EDUCATION OF THE PUBLIC SO THAT PEOPLE UNDERSTAND WHAT THEY CAN EXPECT FROM THE SYSTEM. IN THE RECENT PAST, THERE HAS BEEN A GREAT DEAL OF CONCERN ABOUT THE FUTURE OF SOCIAL SECURITY -- AND STEPS HAVE BEEN TAKEN TO ENSURE ITS SOUND FUTURE. BUT THE PROGRAM REQUIRES A HIGH LEVEL OF PUBLIC CONFIDENCE AND TRUST, WHICH CAN ONLY BE BUILT ON KNOWLEDGE. WE NEED TO EDUCATE NEW WORKERS TO THEIR BENEFITS AND RESPONSIBILITIES UNDER THE SYSTEM, AS WELL AS TO ASSURE EXPERIENCED WORKERS THAT THEIR INVESTMENTS WILL BE REPAID.

I WANT THE SOCIAL SECURITY ADMINISTRATION TO CONTINUE TO BE RECOGNIZED AND RESPECTED AS A STRONG, RESPONSIVE ORGANIZATION. AND THE WAY TO DO THAT IS TO ENSURE THAT HIGH QUALITY SERVICE TO CLIENTS IS THE GOAL OF EVERY ASPECT OF THE OPERATION.

BEFORE I CONCLUDE, I WANT TO THANK MARTHA MCSTEEN FOR HER OUTSTANDING SERVICE AS ACTING COMMISSIONER. HER DEDICATION AND EXPERIENCE HAVE MADE HER A VALUABLE ASSET TO SSA, AND SHE IS TO BE SPECIALLY COMMENDED FOR HER STEWARDSHIP OF THE ORGANIZATION AND ITS PROGRAMS.

I ALSO WANT TO ASSURE YOU OF MY COMMITMENT TO WORKING WITH YOU AND YOUR COLLEAGUES IN THE FUTURE AS WE DEAL WITH THE PROGRAM AND POLICY ISSUES THAT ROUTINELY ARISE IN THESE IMPORTANT PROGRAMS.

THANK YOU, MR. CHAIRMAN. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Senator HEINZ. Mr. Chairman, thank you very much. Ms. Hardy, first I want to commend you on your statement. You have emphasized in a number of places in your statement your commitment to maintaining high standards and the high quality of services, to the utilization of technology to improve SSA's ability to serve its clients, and to the support of employees while they continue to maintain one of the highest standards of service in the Government.

I think your goals are commendable and proper indeed, everything that we could ask for. I have a number of questions for you, some of which will be familiar to you. They are almost identical to those that I asked you when I had an opportunity to meet with you a week or so ago, because I don't believe in blind-siding anybody; so here goes.

In the past 2 years, as you are well aware, SSA has cut about 3,700 full-time employees as a part of a program to cut 17,000 of the staff by the year 1990. Are you committed to meeting that target?

Ms. HARDY. I believe, Senator, that we can meet that target, assuming that we can retain the quality of services that I am committed to. What I have seen so far is that that target can be met through attrition.

Senator HEINZ. You think, first, it can be done through attrition; and second, that it can be done without any deterioration in the quality of service?

Ms. HARDY. Given what I know now, yes, sir.

Senator HEINZ. Do you think it can be done and improve service?

Ms. HARDY. I believe that is possible as well, with the combination of the systems, and the employees working together, that we can even better the services that we have.

Senator HEINZ. Now, as you alluded a moment ago, you expect to absorb those staff cuts without affecting the quality of service by implementing, as I understand it, first, procedural streamlining, and, second, some computerized modernization and other efficiencies. My question to you is: Will SSA slow down that ambitious timetable—17,000 people by the year 1990—or limit those staff reductions if—and I emphasize the word "if"—the increased efficiencies, which you must have in order to maintain service, fail to materialize as rapidly as you hope and expect?

Ms. HARDY. Given the current rate, it is my understanding that meeting those targets requires the reduction of about 13,000 full-time equivalents between now and the next 4 years. And I believe that you have stated it correctly in that service is the most important aspect of all of this. As we go through this process and as we lay out exactly how all this is to be done over the next 4 years, service has got to be maintained as the primary emphasis of all of this reduction.

And if we find that we cannot maintain the high level of services, we will have to relook at the numbers.

Senator HEINZ. So, if, for example, the computer modernization, which has had—as you may know by now—some snags in the past, although it appears to be going along pretty well now, if more snags develop, what you are saying is you would at that point, if it in any way jeopardized service, you would slow down the pace of staff cuts in such an example?

Ms. HARDY. I believe that the emphasis on service has got to be the highest priority; and whatever that takes to maintain and to maintain the high level of satisfaction that we now have from beneficiaries, that needs to be maintained first. Yes.

Senator HEINZ. Even if that meant slowing down the pace of staff cuts? I am not trying to trap you into saying if you run into a problem, you will have to slow down the cuts in staff. All I am trying to establish is whether or not, if you do run into a problem that requires that you don't adhere to this timetable, that you would not feel compelled to adhere to it, for good and sufficient reasons.

Ms. HARDY. That is correct.

Senator HEINZ. Now, also in the area of staff cuts, and in some other areas as well, one of the primary concerns that we all have is quality of service to the public; but as much as we all talk about that concept, the fact is that—and this is not to be critical of anybody—the Social Security Administration has never given Congress a reliable objective set of standards for measuring quality. And I think really what we need are standards that measure more than just processing times for files.

What I would suggest is that we need standards that measure the accuracy of information that is provided by SSA personnel, the number of calls or visits needed by a client to solve a common problem, the waiting times experienced by the public. So, accuracy, repetitiveness, timeliness are objective standards that are the kinds of standards—and this is not meant to be an all-inclusive or exclusive list.

My question to you is: Would you make a commitment to develop such standards and provide Congress with reliable information of that kind on your Administration's performance?

Ms. HARDY. Yes; I believe we can do that, and some of that has been started. It is my understanding that the waiting time study and also a recent study by the General Accounting Office uses some of those criteria that we could build on. And I believe that is something that we should be able to supply the committee and the Congress.

Senator HEINZ. I want to raise a hypothetical issue with you; and it is the same one I raised before. You are doing the very best job you can. Things aren't going quite as well as you had hoped, and you believe that it is important to take some corrective action. Maybe you are not going to be able to hit your staff reduction targets; and along comes someone from the Office of Management and Budget [OMB] and they say, look, don't give us any excuses. These reflect badly on you and your people down there. You have got to meet those targets. Would you be willing to take on OMB? Do you believe that service would suffer if you didn't?

Ms. HARDY. First of all, I should say that I have had some personally very good relationships with OMB. We have not had that problem in any of the programs that I have administered.

Senator HEINZ. You should spend more time on Capitol Hill. By that I mean that, if you were up here as a Member of this body, you would not have as rosy a view of OMB as you have today.

Ms. HARDY. I guess the short answer to your question about taking on OMB is "Yes"; but the longer answer goes back to the

priorities I described in my opening statement. Those priorities are very important to me, service being high on that list. Those are the goals that I want to achieve, and I think working with OMB, and working with any of the other parts of the Department of Health and Human Services is going to be important.

Senator HEINZ. But what I am really asking is not whether you are going to engage in public fisticuffs if there is a disagreement, just if you are going to be a forceful advocate for your department. You know, every so often, OMB is wrong. They can't remember when they were last wrong, but they have been.

Ms. HARDY. I can't either, though. [Laughter.]

Yes; I will try to be a very forceful advocate for SSA.

Senator HEINZ. Thank you. Let's talk about something with which I have had some very direct personal experience, which is field office closings and attempts to scale back service at them. As you know, at the Aging Committee hearings last fall, it was shown that some field office closings are undertaken without consultation with the affected community and without clear standards for analyzing the desirability of that change. I think this is another area where we ought to have some objective measures of service to the public.

Can we rely upon you and can you commit to developing some objective standards and make certain that decisions concerning the opening or closing of field offices are guided by those standards?

Ms. HARDY. Yes; Senator. Yes.

Senator HEINZ. Can you make certain that local communities are brought into the process?

Ms. HARDY. There needs to be consultation across the board, but you should also know that there is a study now going on reviewing all field offices throughout the country. It is basically an ongoing effort which analyzes all of the offices. I think we have different changes—demographic changes—shifting clearly throughout this country as well. I think those need to be taken into consideration as we look at the whole field structure.

Senator HEINZ. One thing that got me rather concerned, even disturbed, was with respect to a specific office in Pittsburgh; namely, the Hill District office.

In the case of the Hill District office, a very modest little change was made. The computer which was in that office, which allowed the staff and the client to get answers to their questions to be online, was taken up and moved down to the headquarters office in the city of Pittsburgh. And as a result, and not surprisingly, people starting paying $1.25 to get on the bus to go down and $1.25 to get on the bus and go back; and as a result of that, the statistics for the Hill District office began, not surprisingly, to tail off.

SSA came along and said, well, there has been a demographic shift. People aren't going to the Hill District office as much, in spite of the fact that the reason they weren't going there as much was that the piece of equipment that made that office functional for a significant number of client services had been moved elsewhere, and it didn't really pay to go to the Hill District field office.

Can we be sure that SSA is going to stop that kind of manipulation?

Ms. HARDY. I am not personally familiar with that particular case, but I think, once again, there has got to be emphasis on service to the beneficiary and consultation with the Congress as we look at all of the offices throughout the country.

Senator HEINZ. I think there is someone behind you somewhere who is probably familiar with that situation, but I think you get my point.

Ms. HARDY. Yes, sir.

Senator HEINZ. It is one thing to have genuine shifts in demography; it is another to create them and use them as justification for the curtailment of services at an office.

I have one last question, Mr. Chairman, on a subject that this committee has spent a lot of time on—the Finance Committee—and namely, that this disability reviews.

This is a more or less critical time for SSA regarding public confidence in the new disability insurance program. They have been resumed now under our new legislation, new as of 1984. I understand there is a large backlog of cases that exists, which is both initial applications under the new standards for mental disability, and also reviews of existing cases under the new medical improvement standard, which was mandated by our new act.

Your budget has about $138 million in contingency funds that can be used to boost manpower in the State disability agencies that process these cases. Now, at this point, I don't know that there are any bottlenecks; but it is possible there might be some. And if bottlenecks develop in the States, just when we are trying to rebuild public confidence in this system, would you be—if there was no other way to reduce the backlogs—willing to go to the Office of Management and Budget and strongly advocate the use of some of the money in the contingency fund to help you clear up the backlog?

Ms. HARDY. If dollars are what is needed, yes. I think the top priority has to be to continue to make sure that we implement well the 1984 amendments.

Senator HEINZ. Ms. Hardy, you have answered all my questions very candidly, very frankly. I think you have given the right answers to all those questions. And Mr. Chairman, I am quite satisfied with our nominee, and I am quite confident she will be confirmed.

Senator ARMSTRONG. I thank you.

Senator HEINZ. I thank you.

Senator ARMSTRONG. I share your confidence. I was glad to hear about OMB. I knew somebody was getting along with them, and I am glad to find out who it is. [Laughter.]

Senator HEINZ. We will be by——

Senator ARMSTRONG. Senator Heinz and I would like to seek your counsel on some of these issues.

Ms. HARDY. Thank you.

Senator ARMSTRONG. Commissioner-designate Hardy, it so happens that Senator Grassley is chairing another hearing this afternoon, but he asked me to express his interest in this hearing and to let you know that it is his intention to submit a statement for the record and also a few questions that he would like to ask you to respond to; and I think you will receive those in due course.

Ms. HARDY. Thank you.

Senator ARMSTRONG. In addition, Senator Moynihan has some questions that he would like to put to you. So, if it is acceptable to you, we are going to just stand at ease here for a minute and see what his timetable is. He has been summoned to the floor to make a statement, and I believe he intends to return quite soon. So, maybe we will be in recess here for just a couple of minutes while we check on his whereabouts.

Ms. HARDY. Thank you.

[Whereupon, at 2:54 p.m., the hearing was recessed.]

AFTER RECESS

Senator ARMSTRONG. Senator Moynihan is going to be detained on the floor for a little while. So, just in the interest of moving as quickly as we can and also to accommodate him so that he can propound his questions to Ms. Hardy and perhaps to the other witnesses as well, I believe what we should do is go ahead and hear the testimony of our other two witnesses, and then, by that time perhaps Senator Moynihan will be back; and we will be able to proceed expeditiously.

So, I would now like to recognize Virginia Castleberry, who is here to speak on this matter on behalf of the National Alliance of Senior Citizens of Arlington, VA. If you would come forward, we would be very happy to hear your observations about this nomination and related matters.

STATEMENT OF VIRGINIA CASTLEBERRY, NATIONAL ALLIANCE OF SENIOR CITIZENS, ARLINGTON, VA

Ms. CASTLEBERRY. Mr. Chairman, distinguished Senators, ladies and gentlemen. I am Virginia Castleberry, a member of the National Alliance of Senior Citizens. I am here for Virginia Aubrey, President of NASC, who is unable to attend this hearing due to personal family requirements.

NASC and its members are enthusiastic in our support of the nomination of Dorcas Hardy to be the next Commissioner of Social Security. Dorcas' record is one of which we are extremely proud. She has been a most successful manager of social programs, a leader in issues dealing with women in this administration, and a concerned individual in her work with both the elderly and the little children who have been involved with the programs she has so well administered.

Our organization is deeply concerned with the management of Social Security and the way its employees treat the elderly. While there have been some improvements in dealing with important savings, from eliminating the deceased and such nondeserving persons as prison inmates, much more needs to be done before the seniors can rest assured that Social Security is being fairly and honestly run.

Dorcas Hardy offers us real hope that this most urgent goal will be achieved with her unique combination of management skill and personal concern. That is why I am pleased to tell you that our members and our officers endorse her nomination and urge her

speedy confirmation to be our Social Security Commissioner. Thank you for providing us this opportunity to appear.

Senator ARMSTRONG. Thank you very much for coming by, and I hope that you will express my best wishes and greetings to Mrs. Aubrey and also to Curt Clinkscales, both of whom I know and admire; and I appreciate the work that they are doing and that your organization is doing.

Ms. CASTLEBERRY. Thank you, Senator.

Senator ARMSTRONG. We thank you for being with us this afternoon.

Next, I would like to invite to come forward Mr. Wilbur J. Cohen, who is well known to this committee for many reasons. And he appears today in his capacity as cochairman of Save our Security, an organization which is based here in Washington, DC. Mr. Cohen.

[The prepared written statement of Ms. Castleberry follows:]

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NATIONAL ALLIANCE
OF SENIOR CITIZENS, INC.

■ National Headquarters:
2525 Wilson Boulevard / Arlington, Virginia 22201 / (703) 528-4380

■ Mrs. Virginia Aubrey
President

■ C.C. Clinkscales, III
National Director

TESTIMONY OF THE NATIONAL ALLIANCE OF SENIOR CITIZENS, INC. ON THE CONFIRMATION OF DORCAS R. HARDY TO BE COMMISSIONER OF SOCIAL SECURITY PRESENTED TO THE U.S. SENATE COMMITTEE ON FINANCE BY PRESIDENT VIRGINIA R. AUBREY:

Mr. Chairman, distinguished Senators, ladies and gentlemen:

The National Alliance of Senior Citizens is a membership organization of Americans over the age of 55, and we appreciate the opportunity to offer our insights and thoughts on the nomination by President Reagan of Dorcas Hardy to be the next Social Security Commissioner.

We have known Dorcas Hardy for five years during which she has served as Assistant Secretary of Health and Human Services for Human Development Services. Her record in that post has been noteworthy with respect to elderly programs, not to mention the other impacted groups served by her offices.

We have been most appreciative of the fact that while federal budgets were generally being held at slow growth in the particular areas of stewartship of Dorcas Hardy, services and the quality of those services were being expanded and enhanced.

To the vocal doubts of opponents that it could be achieved, she has turned programs like the Meals on Wheels into greater participation with fewer dollars or like amounts. If there was ever a person who understood waste and mismanagement - and was able to work with those in government services to eliminate or reduce it - Dorcas Hardy is that person.

While this ability has been applied to many programs overseen by her Office in the aging field, it has also been used to assure those

served by her other responsibilities that they, too, were receiving full benefits from the amounts allocated to their special needs.

The Office of Human Development Services under Assistant Secretary Hardy has consisted of the Administration on Aging, Administration on Children, Youth and Families, Administration on Developmental Disabilities, Administration for Native Americans, Social Services Block Grants and the Work Incentive Program.

Each of these important areas has seen their effectiveness rise as those serving the public were given the support required to do a better job using their abilities and their hands-on experience, not more and more direct dictates from those removed from their line duties.

Dorcas Hardy has earned her reputation as a solid, responsible manager with five years of excellence in her Office at HDS.

She is enormously respected by those who serve as federal workers in her Office, even those who disagree with the policies of this Administration. Dorcas Hardy is fair, even-handed and respects those who serve this nation as its employees. Such a manager and a leader is urgently needed to manage the Social Security Administration.

But there is more to Dorcas Hardy than management ability.

She has shown herself to be an extremely compassionate person who takes the human side of her job most seriously.

Under her leadership, the program seeking permanent family homes for children known as "special needs" has succeeded in turning a large surplus of these minority, disabled or handicapped children with no permanent homes or adoptive parents into a demand led flow of children needing homes being placed in homes where they can be loved and cared for with security for tomorrow.

This program and the dedication to it by Dorcas Hardy has earned her the applause and praise of child placement leaders nationwide, including the WAIF program led by actress Jane Russell.

It has been such a success that NBC has done a special report on it for the NIGHTLY NEWS program.

Dorcas Hardy is a rare person with a dedication to America and her people that motivates her to achieve the best for them in any post she holds.

Of course, Social Security serves all ages of Americans, not just the elderly, so it is instructive that the President would select as the first woman - and I believe the youngest - Commissioner a person with

such a background and such personal involvement with the human problems faced by the people she serves.

A very telling statement was recently made by the Acting Commissioner on Aging, Carol Fraser Fisk, when she said,

> "Dorcas Hardy is an outstanding manager who cares deeply for older persons. She has displayed excellent leadership of Human Development Services and shown particular concern for the problems of the elderly."

In the post of Commissioner of Social Security, Dorcas Hardy will have to show concern for the problems of the elderly, for the Social Security Administration is in real need of having those problems addressed.

It is our belief that Social Security beneficiaries as well as those who are paying FICA taxes should be able to believe that their funds are not being paid out fraudulently to non-deserving persons.

The work begun in 1981 at clearing off non-deserving persons and halting abuses of the Social Security program by those who have devised ways to defraud the program is a good start, but much more remains to be done. Dead persons, prisoners and others without merit continue to collect, and until these are eliminated, the program will continue to lack full public confidence.

Further, with the high incidence of recipient benefit assignment errors, a major emphasis must be placed on assuring that beneficiaries do not overcollect - only to later be forced to suffer while they are forced to repay benefits paid to them in error.

The Social Security Disability program remains a major concern for the National Alliance as entirely too many non-deserving persons are receiving benefits with no real relief on the way. Sadly, this and other problems which could greatly strengthen the program and public support for it cannot be resolved by any Commissioner, but by Congress.

Dorcas Hardy has shown her ability, her compassion and her leadership in the human side of government. She is the perfect choice to lead this program with its impact on every family in America.

The National Alliance of Senior Citizens and its more than 2.2 million members and supporters are pleased to endorse her nomination, and urge her speedy confirmation.

Thank you for allowing us to participate in this hearing.

STATEMENT OF WILBUR J. COHEN, COCHAIRMAN, SAVE OUR SECURITY, WASHINGTON, DC

Mr. COHEN. Mr. Chairman, thank you for the opportunity to testify today. I am accompanied by two of my colleagues, in case there are any questions: Mr. William Bechill, who was the Commissioner of Aging—1965-69—and my colleague John Harris, who is a member of the SOS Coalition.

I want to say first that I would like to ask you to put my prepared statement in the record as it stands.

Senator ARMSTRONG. We will be happy to do that, of course.

Mr. COHEN. And particularly, since it was prepared some time ago before Ms. Hardy testified, I would like to ad lib a little bit on my prepared statement in relation to some of the comments that have been made and the questions asked of her. My prepared statement, as you will notice, represents not only my own views, but my four colleagues, the former Secretary of Health in the Eisenhower administration Dr. Arthur Flemming, Mr. Ball, and Mr. Schottland, both former Commissioners of Social Security, and Mr. Bill Bechill, who represent both Republican as well as Democratic administrations; and I hope my statement today will be viewed as a nonpartisan statement, which we have tried to make it, representing people who have had some experience in administering Social Security related programs.

As you know, Mr. Chairman, my experience goes back now 51 years in this program, having been the first professional employee on the staff of the 1934 Committee on Economic Security that drafted the Social Security bill and also the first professional employee in Social Security in 1935. And now, I say, when I have come before this committee—and I hope my friend, Senator Moynihan, will recall this—this represents the 51st year that I have appeared before the Senate Finance Committee.

Now, I don't know anyone who has a better record, but I am rather proud of that and proud of having been approved three times by the Senate Finance Committee for Presidential positions. I have a deep respect for the committee, and I say that in the light of certain suggestions I am going to make today.

Senator ARMSTRONG. Dr. Cohen, let the record reflect that if you have appeared here that many times, you win the prize and are a glutton for punishment.

Mr. COHEN. Yes. [Laughter.]

I have also had Senators vote against me in this committee, too, so I know how that feels, too.

Senator ARMSTRONG. Well, then, we have that experience in common.

Mr. COHEN. Yes, yes. [Laughter.]

I appear before you today on a nonpartisan basis to voice our deep concern and the concern of many individuals and organizations over the possible deterioration in the quality of the administration of the Social Security Program and particularly to request the Senate Finance Committee to assure itself that the next Commissioner of Social Security will be dedicated to not only continue the quality of service, but to both restore and improve the service to beneficiaries and contributors and to carry out both the letter

and spirit of the Social Security laws, without any political favoritism to either Republicans or Democrats.

I want to say that I was particularly gratified to see that Ms. Hardy commended Acting Commissioner Martha McSteen for her very difficult role as Acting Commissioner during this period of time. And I have to be very frank with you; it was my hope and the hope of my colleagues that the President would see fit, on the basis of her excellent tenure, to nominate her as the Commissioner of Social Security; and we were deeply disappointed because her long experience and her ability to operate under very difficult constraints during these last 2½ years made her, I think, a very outstanding candidate. But we recognize the situation.

I might say, at a future point, I would hope that Ms. Hardy would keep Ms. McSteen as the principal Deputy Commissioner of Social Security. I don't think there has been any commitment like that; and while Ms. Nardy gave her very high marks, I am deeply worried that we will lose Mrs. McSteen ability, and experience.

I want to say, frankly, we are unable either to support or oppose the President's nomination for this important position because, before the hearing today, we had no knowledge of what particular constraints might have been on the nominee regarding her views on the situation.

But we believe, in light of the questions that Senator Heinz stated, that there are now not sufficient funds—at least in our opinion—and we might be wrong, but from what knowledge we have—there are not sufficient funds now being allocated for the proper administration of the disability insurance amendments. I have to add that, in my capacity, I go and visit every single field office of Social Security in any community that I happen to be in.

I talk with the regional people. I have talked with the State people. I have talked with the local people. I do not feel that the quality of administration of the disability amendments passed by Congress are adequately financed with enough personnel at the present time.

Second, we are deeply concerned over the unnecessary anxiety about the financing of the Social Security System, especially by young people; and we believe that this has not been adequately rebutted by an adequate public information program in the system. I might say on that particular point, I am joined by Robert J. Myers, the former actuary. We were both members of the previous National Commission on Social Security, and we believe that beneficiaries and contributors are not being adequately advised of their rights and responsibilities. Then, we are deeply concerned with the same questions about the reduction of the Social Security staff and the continual talk of closing district offices.

I believe particularly, when you come to the local office, the present telephone system of the Social Security Administration is horrendous. If you try to call a Social Security office on Monday morning or Monday afternoon, and particularly on the Monday after the third of the month, or the first day after the checks are issued you cannot get a prompt answer. I could go and cite the responses which Social Security makes, and their answer is: "Well, we can't put on temporary personnel to do this; so people just have to wait their turn."

Now, when you consider that the actual administrative cost of Social Security is 1¼ percent of the premiums or the benefits, I see no reason to be pennywise and pound foolish in the quality of service given the people when every penny of that administrative cost comes out of their contributions and the employers'; and not a penny of that is on general revenues. And I think, therefore, it isn't merely a question of the preservation of the present quality—as good as it is—and as high a quality as it is, but I think that if you found that local offices were closed—like Senator Heinz said—I can tell you one thing: Senators are going to have to increase their staffs in order to answer more Social Security mail. The problem is going to end up on your backs and the backs of Senators and Members of Congress if there are serious closings in local offices and failure to give the service.

We also, I might say—and I hope you don't mind my saying this—we think that some of these things have to be remedied through legislation, which is within the provinee of the Senate Finance Committee. We think the administrative cost of the Social Security Program should be excluded from the automatic provisions of the Gramm-Rudman legislation, as is the case of what you did on the contributory income and expenditures.

There is no reason to be pennywise and pound foolish on the administrative costs when not a cent comes out of general revenues, although I would say I am as enthusiastic as anybody for efficiency, but not at the expense of 37 million beneficiaries and 125 million contributors.

We are also vigorously opposed to the recent unilateral action taken by the managing trustee of the Social Security funds, which among other things we believe violated, if not the letter, certainly the spirit of the Social Security law, which calls for statutory changes, in my opinion, to prevent any further similar action.

Senator ARMSTRONG. Forgive me for interrupting, but as an old hand around the Finance Committee, you will recognize that what has happened is we need to recess.

Mr. COHEN. Yes.

Senator ARMSTRONG. We will come back and invite you to complete your statement; and then, we will perhaps have some questions and also, Senator Moynihan, Secretary Hardy, is standing by and prepared to answer questions as well.

Senator MOYNIHAN. Very well. Thank you.

[Whereupon, at 3:10 p.m., the hearing was recessed.]

AFTER RECESS

Senator ARMSTRONG. We will come to order. I think Mr. Cohen was concluding his remarks. We will ask you to do that, and then we will take some questions if there are some. Then, I think Secretary Hardy is prepared to come back and answer any questions that there may be, as well. Dr. Cohen.

Mr. COHEN. Thank you, Mr. Chairman. I would like to point out, in connection with my next comment, that when you confirm the Commissioner on Social Security, the person who holds that office becomes the Secretary of the Board of Trustees of the trust funds. So, you are not only confirming the administrative manager of the

system, you are confirming the person who has quasi-fiduciary responsibility in connection with reporting to Congress the full implications of the financial operation of the system.

Since we were vigorously opposed to the recent unilateral action taken by the Managing Trustee of the Social Security funds, which among other things I personally believe violated both the letter and the spirit of the Social Security law, and which in our opinion calls for statutory changes to prevent any similar future action, I should particularly like to urge the committee to get a commitment from the new Commissioner that she will very conscientiously carry out the letter and the spirit of the law to prevent any such action occurring again.

And I am perfectly prepared to even submit some statutory amendments to clarify that, although I don't think it is absolutely necessary; but in the light of that action, I think it would be good if the committee did tie that down very tightly.

In conclusion, I want to say that we strongly support transforming the Social Security Administration into an independent agency along the lines contained in Senator Moynihan's bill, Senate 17. And the reason why that is pertinent to this, Mr. Chairman, in this hearing is that, as I told you, I have been in one way or another associated with this system for 51 years. As has been pointed out, with 37 million beneficiaries bordering on becoming getting 40 million and ultimately 50 million or 55 million in the future, 125 million contributors, 70,000 employees—I have come to the conclusion that—and as a former Secretary I say this after very conscious deliberation—it is too big for HHS now.

It is a problem of administrative management and concern, both on policy and amendments and financing, that can no longer be handled by a secretary along with the innumerable other things in HHS. I always have to stumble because I want to say HEW; but I really believe very sincerely that, as conscientiously as Ms. Hardy said she would undertake the job, you really have to remember that now within HHS there is another layer on top of the Commissioner of Social Security.

And in order to deal with OMB and deal with Congress and every other thing, it is too much layering to get efficient and effective action. And this took me a long time in coming to this, to say: Take it out of HHS; make it an independent entity—I hope as a Board as it was initially. I think you would get more efficient service and to be nonpolitical. Although I believe in the two-party system, I believe that when it comes to Social Security—and I hope that during my tenure as Secretary, I obeyed that injunction—I never would have done anything, nor neither did the previous Commissioners under my supervision, ever do anything that we thought was partisan with regard to Social Security, Democrat or Republican. I think it ought to remain that way.

I would like a definite commitment from the incumbent that that policy, which has been true under Mr. Flemming, which has been true under Mr. Richardson, which was true under Mr. Folsom, which was true under John Gardner, which was true under my tenure; I would like to see that continued to be carried out.

Senator ARMSTRONG. Fair enough. Senator Moynihan, do you have questions for Dr. Cohen?

[The prepared combined written statement of Messrs. Cohen, Flemming, Ball, Schottland, and Bechill follows:]

Statement
By

Arthur S. Flemming, Secretary of Health, Education and Welfare (1958-1961)
Wilbur J. Cohen, Secretary of Health, Education and Welfare (1968-1969)
Robert M. Ball, Commissioner of Social Security (1962-1973)
Charles Schottland, Commissioner of Social Security (1954-1958)
William D. Bechill, Commissioner on Aging (1965-1969)

To The
Senate Committee on Finance
April 16, 1986

We appear here today on a non-partisan basis to voice our deep concern--and the concern of many individuals and organizations--over the quality of administration of the Social Security program and to request the Senate Committee on Finance to assure itself that the Commissioner of Social Security will be dedicated to improve the service to beneficiaries and contributors.

We are unable to either support or oppose the President's nomination for the important position of Commissioner since we do not know the extent of freedom or constraint placed on the nominee by either her own views or experience or the mandates of OMB or others in the Administration.

We are deeply concerned over the adequate funding and proper and effective administration of the 1980 and subsequent disability amendments.

We are also concerned over the extent of unnecessary anxiety about the financing of the social security system especially by young people which we believe has not been adequately rebutted by an adequate public information program.

We are deeply concerned about proposals to reduce the social security staff from some 77,000 to about 60,000 employees and the continual talk of closing district offices. The total cost of administration is only about one and one quarter percent of the cost of the program and is borne entirely by the employer and employee contributions and not from general revenues.

We also urge taking the administrative costs of the Social Security program out of the automatic provisions of the Gramm-Rudman legislation, as is the case of the contributory income and expenditures for benefits.

We were vigorously opposed to the recent unilateral actions taken by the Managing Trustee of the Social Security Funds, which among other things, violated the Social Security law and which, in our opinion, calls for statutory changes to prevent any such similar future action.

We strongly support transforming the Social Security Administration into an independent agency along the lines contained in Senator Moynihan's bill, S.17

We believe that both adequacy, efficiency, effectiveness, caring and compassion must be objectives of the administration of the Social Security program. We believe the Commissioner of Social Security should be committed to all these objectives. We urge the Senate Committee on Finance to assure itself of these commitments and to institute periodic methods to assure their implementation.

Senator MOYNIHAN. I have two questions. What is in the drinking water that you seemed to carry around when you have been around for 51 years and you can still be so vital and active? Do you collect Social Security?

Mr. COHEN. Yes, sir.

Senator MOYNIHAN. All right.

Mr. COHEN. And I also pay taxes.

Senator MOYNIHAN. And you also pay taxes? [Laughter.]

Mr. COHEN. I want to say that the only times, Senator, that I have ever been booed in 50 years on any speech on Social Security was when I advocated what Mr. Armstrong and you and others did in 1983 on taxing Social Security benefits. I believe that what you did was right, but sometimes you have to rise above principle and do what is right. And I think that is what you did in that case.

Senator MOYNIHAN. But honest, Wilbur, what a career. You were on the committee that helped draft the original legislation, were you not?

Mr. COHEN. Yes, sir; well, I was a staff member then.

Senator MOYNIHAN. In the old days, Senator Wagner, I believe, introduced that bill in February, I believe, in 1935 and President Roosevelt signed it in August.

Mr. COHEN. That is right.

Senator MOYNIHAN. We have tried to do things like that.

Mr. COHEN. A slight correction. It was introduced on January 17.

Senator MOYNIHAN. Yes; January 17, and you were at the side of Senator Wagner then?

Mr. COHEN. Yes, sir. I don't want to take your time, but it was remarkable in that the hearings began on the next day. Mr. Doughton held the hearings in the House, and on the next day the hearings began in this committee in a different room over in the other building; and it was the first time that I know that the House and Senate hearings began almost simultaneously.

Senator MOYNIHAN. There is a new history out—a revisionist history—which I would like your views on. These things are in some ways more important that the others. President Roosevelt really wasn't moving on any of this stuff. He had been very conservative; he sounded like our chairman here sometimes, about balancing the budget and those sorts of things.

Senator ARMSTRONG. He was not more successful than I was, either. [Laughter.]

Senator MOYNIHAN. No; he was not. Then Huey Long and Father Couglan and Mr. Townsend began really pressing, and they were all thought to be behaving not quite up to the standards of such. But the thought was that Huey Long was going to run for President; and as a matter of fact, Franklin Roosevelt finally did something about Social Security because he was scared of Huey long. Right?

Mr. COHEN. Well, I have written that section in my memoirs, which are unpublished; but since you reviewed Mr. Stockman's book in draft, maybe I should send you my copy and maybe you would review mine. [Laughter.]

Senator MOYNIHAN. Look out, or we will put it in the record.

Mr. COHEN. That is not quite my interpretation, Senator. Let me go back to this point. At that time in the White House, there was no legislative officer in the White House.

Senator MOYNIHAN. Yes.

Mr. COHEN. The concept that you now have in the Republican-Democratic administrations of having a House legislative liaison, a Senate legislative liaision, an oversight reporting; that didn't exist in the Roosevelt administration. The White House staff was virtually negligible.

Second, the Senate Finance Committee under Senator Harrison had no person on Social Security, other than a person from the Joint Committee on Taxation. And one of the reasons I was able to have such a close liaison relationship with the House committee and the Senate committee is because there wasn't anybody else. I am sure it didn't have anything to do with my competence because I was only 21 years old, but it had to do with the fact that in the White House, in the House, in the Senate, there was no staff whatsoever. And if you compare that with the situation today, there is the difference between day and night.

Now, Roosevelt did one other thing. He relied completely on Miss Perkins. Miss Perkins was, as a Secretary in the Cabinet, responsible. He had absolutely complete confidence in her. He was a great delegator. He let her handle it. And that is why I think neo-interpretation has come about.

I would say this, too, especially I guess if Senator Long were here. It wasn't so much that President Roosevelt was so concerned about Father Couglan and Townsend; he was much more concerned about Huey Long.

Senator MOYNIHAN. I make the point that this committee has been involved in many ways in this. One last point, just to call to your attention, that there are some of us who very much agree with you about the prospect of an independent agency. The administrative reality in HHS is that Social Security is simply out of the reach of the Secretary. He can't get to it. I mean, there are too many things he has to get past before he gets to Social Security.

And we have the problem of seven Administrators in 9 years.

And the enormous job of sending out checks to 37 million people with a trust fund that will soon be $1 trillion. Let's speak to something beyond your normal field. What would you say the pay would be for a person who ran a trust fund of $1 trillion and sent checks to 37 million people and had 125 million contributors?

Mr. COHEN. Well, since I left Government, and I am no longer in that position, I have been a member of the board of directors of three big national organizations in which the income of people—at the top—is in the nature of $400,000 to $500,000 a year.

Senator MOYNIHAN. And no one of them——

Mr. COHEN. And nowhere near the responsibility of Robert Ball or Robert Myers or Charles Schottland.

Senator MOYNIHAN. Or soon Dorcas Hardy.

Mr. COHEN. Or Ms. Hardy.

Senator MOYNIHAN. I would make no mistake if I said that in the market, this is a $900,000 a year job with stock options?

Mr. COHEN. Yes. [Laughter.]

May I add one point to your analysis? One of the reasons why I feel so strongly in favor of your bill is that it is no longer a possibility—and if you will pardon me just to make it personal—for Mrs. Heckler or Dr. Bowen to come in and really understand how the actuarial estimates for the trust fund are made. I know you two gentlemen have spent a lot of time on that. I mean, you understand it.

Senator MOYNIHAN. I am not sure about the chairman. [Laughter.]

Mr. COHEN. Well, I have debated with Senator Armstrong a couple times, and I think he has a pretty good understanding of the system, even though I might disagree with his results. But I think if you want to really run this system considering its long-run impact on the economy and so on, you have got to understand what these eonomic, demographic, and other assumptions of this are. Otherwise, when you take action to do anything, you don't know what you are doing; and yet, you require these three people, plus the two public trustees, to report, not on merely the trust fund for this year or the next 5 years, but for the next 75 years.

Senator MOYNIHAN. Which was something for which you are a little bit to blame. The 75-year projection is not feasible, and it was meant to make people——

Mr. COHEN. I agree with you.

Senator MOYNIHAN. Could I just say one thing, because I don't want to keep the Secretary waiting? Would you give me an based on your experience as a Social Security trustee? Now, you were sort of a special trustee, but how many hours does the Secretary of Labor and the Secretary of Treasury—a typical Secretary—give to Social Security in the course of a year?

Mr. COHEN. Let me see. I would have to think about it.

Senator MOYNIHAN. Would you say——

Mr. COHEN. I would say that probably while I gave more time than the average—I certainly gave more time than John Gardner or Celebrese or Ribicoff. But they had Bob Ball, Bob Myers, and myself there.

Senator MOYNIHAN. The Secretary of Labor and the Secretary of the Treasury?

Mr. COHEN. Oh. I think they give about half an hour a year when the Board of Trustees meets, when they come there to sign that piece of paper which their assistants have told them is OK.

Senator MOYNIHAN. About one-half hour?

Mr. COHEN. Yes.

Senator MOYNIHAN. Would you think that a private corporation would think that the trustees of a $1 billion trust fund could get by on a half-hour a year?

Mr. COHEN. No, sir.

Senator MOYNIHAN. Yes.

Mr. COHEN. And I want to add this——

Senator MOYNIHAN. Mr. Chairman, he is dead serious. I have been an Assistant Secretary of Labor and have watched this process—a half an hour sometimes, sometimes not—because you had to send somebody else to the meeting.

Mr. COHEN. There is also another point. I want to make two points in that connection. Since the statute says the Secretary of

the Treasury is the managing trustee, the other two trustees who are members of the Cabinet say: It is his baby. When the staff people tell him that the Secretary of the Treasury has invested, disinvested, whatever he has done——

Senator MOYNIHAN. Or doesn't do.

Mr. COHEN. Or doesn't do something; they have a lot of other things to do to run in the Cabinet.

Senator MOYNIHAN. They are in the Cabinet together, and they work for the same President.

Mr. COHEN. Now, when, as you may know, Mr. Ball and Mr. Myers and I were the originators of this idea, which you enacted into law and you sponsored, to make two public persons members of the board. Why?

Senator MOYNIHAN. Yes.

Mr. COHEN. Because we had a conception that if you added those two public members, they would be the fiduciary representatives that could give more time to it. I have to tell you that I have been deeply disappointed at what happened in the investment/disinvestment picture. They weren't even consulted; they——

Senator MOYNIHAN. They weren't even told.

Mr. COHEN. They weren't even told. They weren't even told after the fact, until you and I and others went to court. And I think that is a failure.

Senator, I think there should be an amendment to the law to make those public members have to attend the meeting, if there is any change in policy on investment/disinvestment or noninvestment of any revenues.

Senator MOYNIHAN. Without making any personal reference, I think they both ought to have resigned and maybe only to be reappointed——

Mr. COHEN. Yes.

Senator MOYNIHAN. But to disinvest over $25 billion——

Mr. COHEN. All I can say is, as you know, I had hoped Mr. Myers and I would have been the choice—which we were both singularly dismissed from consideration.

But I would say that, had I been so confirmed, if that had happened in my case, I would have resigned.

Senator MOYNIHAN. I have not the least doubt that you would have resigned.

Mr. COHEN. I would have been humiliated by the situation of having the statutory responsibility and not having been even told about the matter.

Senator MOYNIHAN. Thank you very much, sir.

Senator ARMSTRONG. Thank you, Dr. Cohen. In light of what has happened, I have no intention of resigning, but I do intend to call back Ms. Hardy with new respect now that we are told that she is performing a $900,000 a year job with stock options. [Laughter.]

Senator ARMSTRONG. And don't you threaten to resign, either, please.

Now, when we left off, the Commissioner-designate had completed her statement and had responsed to a number of questions; but Senator Moynihan, I think you were called to the floor. So, if you have questions, I think this would be the time for them.

Senator MOYNIHAN. I do. First, Mr. Chairman, Senator Bradley has asked if I would submit two questions to Secretary Hardy. My questions are very predictable; and yet I think we would like to hear from you on this.

First of all, one of the facts about Social Security and one of the reasons the Secretary of Labor can give it a half an hour at a time a year and so forth, is that it has been run for half a century by public servants of the greatest ability and there has never been a whiff of scandal. I mean, there have not even been paper clips missing, you know.

And then, in the first of 1984, some $5 billion of the moneys were cashed in without the knowledge of this committee or the public trustees, and I am not sure of any trustees save the Secretary of the Treasury. Then, the following year, some $25 billion was cashed in to pay general obligations; I mean, just to pay whatever checks were presented. Now, the Congress was delinquent. We were not getting a debt ceiling passed. I know all of that is true, but this was an enormous event and the press paid almost no attention—a few loyal journalists filed and were published—but in the main, I don't recall any sort of sense of: What the hell are you doing, cashing in $25 billion with the Social Security bonds and buying tanks with them or whatever you did. I don't know. Who knows what checks were presented, as it were.

Do you, Secretary Hardy, think the Secretary of the Treasury exercised legitimate power in selling all those securities? Please be very careful how you answer.

Ms. HARDY. I share your concern about the early redemption of trust fund investments, Senator, and I know that that is of concern to all of us. As you are clearly aware, that was necessitated by the debt limit crisis; and because of your concern, I have had conversations with the Department of Treasury, and they have assured me that Congress will be notified of prospective debt limits problems on a very timely basis.

They also have said in some correspondence that I have seen that they will support legislation to limit the Secretary's discretion in dealing with the trust funds during the debt limit crisis. So, I believe that, as soon as any kind of figures are able to be put together so that Secretary Baker can present reliable projections about the debt limits, that they will be notifying Congress. And his policy of early notification is certainly something that I certainly support.

Senator MOYNIHAN. Gosh, you didn't answer me, you know.

Ms. HARDY. It is my understanding that the General Accounting Office ruled or found that the Secretary did not act unreasonably, given the extraordinary situation in which he was operating.

Senator MOYNIHAN. I asked you what you thought, Ms. Hardy.

Ms. HARDY. I hope that it doesn't have to occur again, Senator. To the best of what I know, I would go along with the General Accounting Office.

Senator MOYNIHAN. This is a very friendly occasion, and it ought to continue as such. But I asked you: Do you think the Secretary of the Treasury exercised legitimate power in selling off these securities?

You first told me what they were going to do in the future. Then, you told me something that the Comptroller General has said. I asked you what you think.

Ms. HARDY. I would concur with the General Accounting Office that he did not ask unreasonably, given the situation.

Senator MOYNIHAN. Do you concur with the statement from the report of November 17:

> The conclusion seems inescapable that in enacting the Social Security Act, Congress to a greater or lesser extent had certain features of public trust law in mind."

Ms. HARDY. I am not sure I understood the last part of that. That the Congress in enacting the law had the best of the public in mind? Yes.

Senator MOYNIHAN. Had features of private trust law in mind? And on December 5, 1985, the GAO reported to have found the Secretary's actions the previous year "in violation of the Social Security Act." Now, do you concur with that?

Ms. HARDY. If that is what the Comptroller General has come up with, I have to concur with that.

Senator MOYNIHAN. You do?

Ms. HARDY. I am not aware of all the details that went on, but it is my understanding that he has two responsibilities, and that he made a tough choice and made the best choice that he thought at the time.

Senator MOYNIHAN. All right; but listen, no one is going to haul Jim Baker up here and ask for his resignation. We want to know about you, and you oughtn't to come before this committee and not volunteer that the Comptroller General has said that it appears that the actions were in violation of the Social Security Act.

Now, will you give me in writing what you think?

Ms. HARDY. I would be glad to, Senator.

Senator MOYNIHAN. I mean, you didn't do it; and there is no reason you should feel responsible for defending what was done. The Secretary has said to us that, as a matter of policy—in a letter to me from the Assistant Secretary of the Treasury, Bruce Thompson, on December 20, 1985—he says that in a matter of policy, the Secretary has directed that both Congress and the trustees be kept informed of significant matters affecting the trust fund.

Would you say that the Secretary would be willing to see legislation in this regard?

Ms. HARDY. It is my understanding that that is correct. Yes, Senator.

Senator MOYNIHAN. Would you tell us what that legislation is? Are you going to run this thing, or are you going to cover up for the people who have been——

Ms. HARDY. Senator, I am concerned that it doesn't happen in the future. So, if there is legislation which limits the Secretary's discretion in dealing with the trust funds, perhaps that seems to me to be the best way to go. And that is what Treasury has articulated.

Senator MOYNIHAN. To be clear about what shouldn't happen in the future, you need to be clear about what did happen in the past, and say we don't want to see this happen again.

Ms. HARDY. We do not want to see it happen again, and we need to have a target in terms of the debt limit and to make sure that Congress is notified and that we follow through on a timely basis, so it doesn't have to happen again.

Senator MOYNIHAN. Say that again.

Ms. HARDY. If there is congressional notification of the debt limit on a timely basis and Congress passes a new debt limit——

Senator MOYNIHAN. Do you think that, in the face of a debt limit situation, the Secretary has the right to cash in these bonds to be used for general purposes?

Ms. HARDY. I think the Secretary has to make that decision as the managing trustee of the trust funds.

Senator MOYNIHAN. I think you are wrong. I could be wrong, but I don't think the managing trustee has the right to use these moneys for any other reason than for the purposes to which they have been collected as taxes. Do you think he has the right to do it? Is it a judgment call?

Ms. HARDY. As I understand the situation, he has two responsibilities: To protect the trust fund and to also make sure that the debts are paid.

Senator MOYNIHAN. And do you consider those responsibilities compatible?

Ms. HARDY. Yes; I didn't know there was a problem.

Senator MOYNIHAN. They are compatible? I don't see how they could be compatible. How can you defend the trust funds when you cash them in to pay the bills of Radio Free Europe or whatever?

Ms. HARDY. I believe that if we can get the debt limit crisis situation settled, we don't run into this kind of situation in the future; and I think that is what we should all be aiming for, and try to prevent it from occurring.

Senator MOYNIHAN. You are saying you are willing to live with the possibility that in the future the Secretary of the Treasury would cash in Social Security trust funds?

Ms. HARDY. I am willing to support——

Senator MOYNIHAN. A matter that the General Accounting Office has said is in violation of the law.

Ms. HARDY. No, sir; I am willing to support the legislation which I believe Treasury is preparing that limits the Secretary's ability to do that; so there is no conflict and that that would not happen.

Senator MOYNIHAN. Why didn't you say that a minute ago? Is the Treasury preparing it?

Ms. HARDY. Yes, sir. Yes; I stated that Treasury will support legislation to limit the Secretary's discretion.

Senator MOYNIHAN. And when we will have that legislation?

Ms. HARDY. I would have to ask the Treasury for that.

Senator MOYNIHAN. I have to say, and with the greatest respect, that I don't think that this appointment which has been delayed for 2 years and 8 months—I don't think it ought to go through until we get this issue settled. It is so fundamental. In half a century, nothing like this ever happened. Now, you didn't do it. No one is suggesting for a moment that you did; but it was done.

And we can't sit here as Congress and have the GAO say that the Secretary of Treasury was in violation of the Social Security Act, and say, well, you know, it was only $25 billion. I mean, for

$25,000, you go to jail in such matters of private trust. And it puts the Secretary of the Treasury in an impossible position, a position he ought not to be in.

If the United States is going to default, the responsibility ought to be laid precisely on the Congress of the United States if it has not done whatever was necessary. I mean, the Secretary of the Treasury should not be put in that position, and he ought not want to be.

And if there were an independent agency, the Secretary of the Treasury wouldn't have that option. May I ask you what you think about an independent agency? I am just interested in your view. You may have whatever view you like as far as I am concerned on this issue.

I don't think you can have whatever view you like about something that the GAO has found because the Commissioner of Social Securtiy has to be committed to observance of that act. But as far as this being an independent agency, what do you personally think about that?

Ms. HARDY. I do not think an independent agency is necessary, and I think that the Social Security Administration should remain within the Department of Health and Human Services.

Senator MOYNIHAN. All right. The first answer was an avoidance answer; the second was not. You said you don't think it is necessary. I didn't say it was necessary. It is obviously not necessary; we don't have it now. Is it desirable? But you think it is not desirable?

Ms. HARDY. No, sir.

Senator MOYNIHAN. All right. Fine. On staff reduction, the Grace Commission proposed in 1984 that the Social Security staff could be reduced by 19,000 positions over 5 years; and in fiscal year 1986, the budget justification for the SSA included a proposal to reduce it by 17,006 by 1990.

Will that be your policy?

Ms. HARDY. Yes, Senator, it will be. We have 13,000—we are aiming to reduce by 13,000 between now and the next 4 years.

Senator MOYNIHAN. And you think that you can do with 13,000 fewer employees and do as good a job?

All these costs are paid for in the budget, as you know; and the budget is in surplus.

Ms. HARDY. Yes.

Senator MOYNIHAN. The Social Security budget is in surplus.

Ms. HARDY. What I have looked at so far is that the primary criterion must be to retain the quality of services for all the beneficiaries. And assuming that that can be done, I believe we can do it with less individuals and that we can attain the 13,000 decrease.

Senator MOYNIHAN. I mean, I am not going to question that. It seems to me you ought to have a chance to be in the job a little longer before we press you on something like that.

I do recall that when we were having hearings September a year ago on the independent living for foster care provisions, that we had some legislation for this committee on foster care—which would provide modest funding for the children who age out at age 18 of the foster care system and are on their own in the cities of this country—and you opposed it. And we pressed you—in a

manner that I have found I have had to press you today—and you said: We have a program; it is a good program.

And after we pressed you for the details, it turned out that your program was allocating $120 a year per foster child; there was no problem there—Well, we passed the bill, anyway. In spite of everything, it was passed. That is about the only thing on that we did get passed in the last 5 years, Mr. Chairman.

I will say to Secretary Hardy, I would like from you, and I am sure other members of the committee would as well, a precise statement of your view of the legality of the action of the disinvestment in 1984 and 1985; and second, a precise statement on what the Treasury proposes by way of legislation to effect the Secretary's discretion that is the case in this matter. Can you let us have that?

Ms. HARDY. Yes, Senator.

Senator MOYNIHAN. I would have to say, so that you would know, and nobody is in any great rush about this matter, anyway, that I don't think the Senate should move to consider your nomination until we have this statement. But there is no reason to get it to us tomorrow; of course, we will be in recess after next Wednesday, but don't do it overnight. Do it until you are satisfied with it; but let us know and we will look forward to getting it.

We thank you very much for answering questions. I hope I haven't seemed to be heckling you. We do have the responsibility on this committee. And something happened last year and the year before which ought never to have happened, in my view. And I think it is the view of the people downtown as well; but they are not the kind of people who do things like that.

I mean, these are men of rectitude and responsibility who are put in an intolerable position that they ought not to be put in, in my view. Thank you, Mr. Chairman, and thank you, Ms. Hardy.

Senator ARMSTRONG. Thank you, Senator Moynihan.

Before we adjourn, I want to just address briefly the concern that Senator Moynihan has raised. I don't think he intended to leave the impression, nor would I wish to leave the impression, that this committee believes that the investment funds, in the instance that he has referred to, is within your scope of responsibility as Commissioner.

And while he has asked for, and you have agreed to, some written opinion of what has transpired and even, perhaps, to comment on proposed legislation, I don't think we ought to leave the issue open. Senator Moynihan correctly pointed out that you were not involved in that, nor would you have been responsible for the outcome of that had you been the Commissioner of Social Security.

I also want to read briefly from the report of the Comptroller General, as Senator Moynihan has pointed out; among the findings of the Comptroller General are the following, and I now quote:

> For the reasons indicated below, we conclude that, although some of the Secretary's action appear in retrospect to have been in violation of the requirements of the Social Security Act, we cannot say the Secretary acted unreasonably, given the extraordinary situation in which he was operating.

Later, the report discusses what some of those extraordinary circumstances were; and I think it is important just so that the record of this proceeding, if it is not complete, at least alludes to what

those circumstances were. I would just like to read a paragraph or two from the body of the report. This is in a conclusion section, and the Comptroller General report states the following:

> In sum, it appears on the basis of the information now available that the Secretary redeemed or failed to invest the trust funds assets in amounts and for periods of time greater than absolutely necessary to pay Social Security benefits. However, this is a judgment reached only with the benefit of hindsight. The Secretary was required to act in a complex and fluid situation without the benefit of all of the information now available.

At this point in the Comptroller General's report there appears a footnote, which I think is important for all of us to keep in mind; and it states the following:

> Because of the complexity of Treasury operations, the Secretary is unable to know at any given time the exact operating balance in the cash account or the exact amount of debt. Much of the information he has is based on estimates. To provide a safety margin against inadvertent statutory violations, it is Treasury's policy to try to maintain a minimum cash balance and to leave a small amount of debt unused. We find these procedures to be reasonable.

The only reason I wanted to be sure that was in the record today was not directly in response to anything that Senator Moynihan said nor that you have said; but so that any casual reader of the report of this hearing—assuming there might be such a creature as a casual reader of this report—would not think that Senator Moynihan or I or Ms. Hardy or the staff or colleagues or anybody else thinks there was any wrongful intent on the part of anybody.

The Treasury Secretary made the best judgment he could under the circumstances. It may be a circumstance which we regret. It may be a circumstance we want to rectify through future legislation; and indeed, I think that is the case.

But it isn't a case of an act involving moral terpitude. It was an administrative judgment which he made and which, based on the information he had, seemed reasonable at the time.

Senator MOYNIHAN. Mr. Chairman, could I say that I completely agree? As you will recall, I concluded my remarks by saying these were men of perfect rectitude.

Senator ARMSTRONG. Yes, indeed.

Senator MOYNIHAN. And were put in a situation which, it seems to me, to be intolerable.

Senator ARMSTRONG. Yes; You weren't on record in any different posture, and I just didn't want to be either.

Commissioner-designate Hardy, I think within a fairly brief time the Finance Committee will get around to reporting your nomination. I would assume that it is going to be overwhelming or unanimous and that the Senate will then proceed to confirm your nomination by a unanimous or at least by a very heavy preponderance. And then, it will be out of the frying pan into the fire.

We wish you much success. Unless you have something else, we are ready to adjourn.

Ms. HARDY. Thank you, Mr. Chairman.

Senator ARMSTRONG. Thank you. We are adjourned.

[Whereupon, at 4:07 p.m., the hearing was adjourned.]

[By direction of the chairman the following communications were made a part of the hearing record:]

U.S. DEPARTMENT OF
HEALTH AND HUMAN SERVICES
Office of Human Development Services
Office of Public Affairs
Washington, D.C. 20201
202-472-7257

hds
human
development
services

May 21, 1986

Betty Scott-Boom
Committee on Finance
SD-219 Dirksen Bldg

Attached as we discussed are two complete sets of answers to the questions for the record given to us as follow-up to the May 15 confirmation hearing on Dorcas Hardy.

Responses have also gone to each of the individual Senators. If you have any questions, give me a call.

Judy Struthers
HDS Legislation
472-5428

Question for the Record - May 15 Hearing

Senator Mitchell

Funding of the Child Abuse Prevention Federal Challenge Grants Program

Question: Why did you, as Assistant Secretary for Human Development Services, refuse to release funds that had been appropriated by Congress for the Federal Challenge Grant Program?

Answer: Although the authorizing statute for this program was enacted in October 1984, no funds were appropriated by the Congress to implement this program until August 1985, less than two months from the end of FY 1985. Once the appropriations were enacted for this program, we began the process of considering what regulations and/or other program guidance would be required to make these funds available to the States.

During December 1985 and January 1986, as final decisions were made on the President's Budget for FY 1987, the decision was made to seek a rescission of the funds for this program, on the basis that the program is duplicative of the existing Child Abuse Prevention and Treatment Act. The formal rescission request was part of the budget request sent to the Congress on February 5, 1986. Once a rescission request is made, funds are not spent until the Congressional response is clear. Once the time allotted for Congressional action expired, in mid-April, we took immediate action to implement the program.

It was determined that the law was sufficiently clear and detailed that regulations expanding on the requirements in the law would not be necessary. We therefore proceeded immediately with a Federal Register notice giving the states the necessary information to apply for funds. That notice was published on May 2, 1986. Applications must be received by July 1, and grants will be awarded as soon as possible thereafter.

Question for the Record - May 15 Hearing

Senator Mitchell

Question: Why have the regulations been written in such a way to preclude States such as Maine, who established trust funds after the law was passed in response to the intent of Congress, from receiving their share of the funding under the law for the federal matching grant?

Answer: We did not develop regulations expanding on the requirements in the law. The Federal Register notice was written to repeat the statutory requirements exactly. The requirement for State funding in FY 1984 as a condition of eligibility for these FY 1985 funds is contained in the law.

As we stated in the Federal Register notice: "States as defined in section 403 are eligible to apply for a grant for these FY 1985 funds if the State had established and maintained in the previous State or Federal fiscal year (FY 1984) a trust fund or other funding mechanism (including appropriations) available only for child abuse prevention activities. We want to emphasize that, based on section 405 which refers to State activities 'in the previous fiscal year,' these FY 1985 funds can be made available only based on FY 1984 activities."

The Office of the General Counsel, HHS, has advised that this is a clearcut reading of the law.

Question for the Record - May 15 Hearing

Senator Mitchell

Question: Do you believe that Congress intended to limit the funds to only those states that had established trust funds prior to the passage of the Federal Challenge Grant law?

Answer: Given the timing of the appropriation, the FY 1985 funds which are now available apply only to States eligible through funding activity in FY 1984. The statute is clear that the funds are to match State activity in the year prior to the Federal appropriation, with the intent of encouraging States to initiate activity in anticipation of reward from next year appropriations. Clearly, however, the requirement for State funding activity in FY 1984 applies only to the Federal funds appropriated in FY 1985.

Question for the Record - May 15 Hearing

Senator Mitchell

Social Security Disability

Question: When does the Social Security Administration intend to release final notices to state offices which will allow them to process all mental impairment cases?

Answer: All States have received final notice to process all mental impairment cases. By November 1985, SSA had notified all but six State agencies that they were permitted to release notices to claimants in favorable decisions involving mental disorders. Additionally, as of December 1985 all but 9 State agencies had been notified that they were permitted to release unfavorable decisions in such cases. The remaining States began processing favorable decisions in December and unfavorable decisions in January.

Question for the Record - May 15 Hearing

Senator Mitchell

Question: Why has there been such a lengthy delay in the release of these notices?

Answer: The delay in processing mental impairment cases that occurred in late 1985 resulted from SSA's deliberate decision to make every effort to insure that the new mental impairment evaluation regulations (published in final on August 28, 1985) would be implemented correctly and as Congress intended.

As the Committee is aware, these rules were developed in consultation with leading experts in the field of mental health. The rules are generally recognized as being up to date with the latest techniques for disability evaluation of mental disorders.

To implement the mental impairment evaluation regulations, SSA conducted extensive training of all State and Federal disability adjudicators. This effort involved the training of many thousands of employees. Also, comprehensive instructional guidelines were issued to further interpret the new rules.

SSA designed a special case review mechanism that "tested" whether adjudicators, both Federal and State, had assimilated the instructional guidelines and the training. This was known as the Early Information System (EIS). The EIS permitted SSA to determine whether the State agency personnel were applying the new rules correctly before notices were sent to individual claimants. The review indicated that in many instances further guidance and training was necessary, particularly in the area of assessing functional limitations caused by the mental impairment. SSA provided the additional guidance and training and required State agencies to hold mental impairment cases during this time. SSA then advised the States to process

cases but to send the cases for Federal review prior to claimant notification. This "acceptance testing" permitted SSA to assess the efficacy of the additional guidance and training that was provided. Once a State had demonstrated its understanding of the application of the new rules it was permitted to process cases. Although the special review did create temporary backlogs of cases, SSA believed that this was an acceptable delay because it was important to implement the new rules correctly from their inception.

There is another workload that SSA is presently processing that stems from the 1984 amendments (known as the code 122 cases). Generally, these are cases that were processed between October 9, 1984 (the date of enactment of the 1984 amendments) and August 28, 1985 (the date the final mental impairment evaluation regulations were published.) Such cases must be reviewed again to apply the new rules. There are about 124,000 cases nationally in this category. SSA expects half the States to complete the review of these cases by August 30 and the remainder by November 30. In the State of Maine, there are 576 code 122 cases, which are expected to be completed by September 30.

Question for the Record - May 15 Hearing

Senator Mitchell

Question: What is your view on the actions of Secretary Baker with regard to the use of the Social Security Trust Funds for payments other than Social Security benefits? Can we be assured that, as Commissioner of Social Security, you would object to this happening in the future?

Answer; With regard to Secretary Baker's actions, I agree with the conclusion drawn by the General Accounting Office (GAO) in its December 5, 1985 report to the Chairman of the House Ways and Means Subcommittee on Social Security on Treasury's management of the Social Security trust funds during the debt-ceiling crisis. GAO said, "We conclude that, although some of the Secretary's actions appear in retrospect to have been in violation of the requirements of the Social Security Act, we cannot say that the Secretary acted unreasonably given the extraordinary situation in which he was operating."

In addition, I would point out that when Congress increased the debt limit last winter, provision was made for restoring, with respect to both interest rates and maturity dates, the holdings that were disinvested during the crisis. Also, the legislation provided for restoring all of the holdings of the trust funds to what they would have been had there been no debt-limit crisis and interest lost due to the 1984 disinvestment was paid to the trust funds.

Balances in the Social Security trust funds, as well as the funds' portfolios of assets, are essentially the same as they would have been had there been no debt-limit crisis.

I think it is important to acknowledge that the Secretary of the Treasury acted reasonably in a difficult situation, but that does not preclude our deploring that it happened at all. The fact that those actions occurred is of great concern to me, and I think we should do all we can to ensure that they will not occur again.

It is vital to maintain the fiscal integrity of the Social Security programs. Millions of older Americans, the disabled, and their families depend on these programs. Virtually every American worker is now investing in the program. We cannot afford the public confidence in the system to be shaken.

Legislation concerning the Managing Trustee's discretion with regard to trust fund investment and disinvestment practices is currently being drafted. Among other things, the legislation would require the Managing Trustee to report to Congress not less than 15 days prior to the date on which, by reason of the public debt limit, the Managing Trustee believes he would be unable to comply with the Social Security statute and to include in the report an estimate of the consequences to the Trust Funds. This would require a dialogue with Congress in the event of another such situation. I intend to support such legislation.

Question for the Record - May 15 Hearing

Senator Mitchell

Question: As Secretary of the Board of Trustees, will you assure that Senate Finance Committee that you will promptly and accurately report on any action by the Board of Trustees which affects the investment or disinvestment of the Trust Funds?

Answer: The Social Security law vests trust fund management authority with the Managing Trustee (the Secretary of the Treasury) and vests responsibility for reporting to the Congress on trust fund matters with the Board of Trustees. In testimony before both the Senate Committee on Finance and the House Ways and Means Subcommittee on Social Security, the Department of the Treasury made a strong commitment to keep Congress apprised in a timely fashion of the Secretary's trust fund management practices.

The Department of the Treasury is also drafting legislation which would require monthly reporting by the Managing Trustee to the Board of Trustees and by the Managing Trustee to the Congress not less than 15 days before he believes that the public debt limit will create difficulties with his compliance with the statute. I support the concept of such legislation.

Question for the Record - May 15 Hearing

Senator Mitchell

Question: Will you make a commitment to assure that former Acting Commissioner Martha McSteen will remain as Principal Deputy Commissioner of the Social Security Administration for a specified period of time?

Answer: I believe that Mrs. McSteen should be commended for her outstanding leadership as Acting Commissioner of SSA. I would hope that she would continue to serve SSA in a position which will make extensive use of her substantial knowledge and experience. I plan to meet with Mrs. McSteen in the near future to discuss this and other pertinent issues.

Question for the Record - May 15 Hearing

Senator Mitchell

Telephone Service

Question: Telephone service in many Social Security local offices is reported to be seriously inadequate. Will you make a commitment to investing in the improvement of the telephone service in local offices?

Answer: SSA has already committed to determining where problems exist and is taking whatever steps are possible to correct them. For example, SSA is in the midst of a multi-year plan to purchase new telephone systems which should provide state-of-the-art capability to handle calls from the public. Other initiatives include experimenting with automated devices to answer general inquiries with recorded messages, expanding our capability to measure quality of our responses, and public information to encourage the public to call at less busy times. I will personally review these findings and ensure that improvements are initiated.

Question for the Record - May 15 Hearing

Senator Mitchell

Local Offices - Closings and Reduction in Staffing and/or Hours

Question: Are you willing to commit yourself to advise Congress 30-60 days in advance of any closing or reduction in services in local Social Security offfices?

Answer: Yes. The current procedure is to notify the congressional delegation of proposals to close offices or convert them from one classification to another. I will commit to ensuring that this notification takes place 30 to 60 days in advance.

Question for the Record - May 15 Hearing

Senator Bradley

Question: I am concerned that programs mandated by Congress, but not favored by the Administration, have not received the prompt attention that they deserve under your leadership. I am speaking specifically about the Child Abuse Challenge Grants, the Dependent Care Grants, and the Long Term Care Gerontology Centers. These programs have serious implications for the most vulnerable members of our society, children and the elderly. What explanation can you provide for such lapses and what assurances can you provide that Congressional intent will be met in your new capacity?

Answer: I can assure you that I feel very strongly about my Federal stewardship responsibilities to carry out the law. I would like to respond specifically to each of the three programs you mentioned.

Child Abuse Challenge Grants

On May 2, 1986, we published a Federal Register notice informing the States of the availability of funds and asking for their applications. Once States' applications, due by July 1, are received, the funds will be awarded as quickly as possible.

As you know, although the authorizing statute for this program was enacted in October 1984, no funds were appropriated by the Congress to implement the program until August 1985, with the funds to be available through September 30, 1986. As we prepared for implementation of the program by considering what regulations or other implementing procedures would be necessary, we also determined as part of the budget process that a rescission request would be included in the President's budget in early 1986, on the basis that this program duplicates authority under the Child Abuse Prevention and Treatment Act. Once that request was formally made, we waited the mandatory period of time for Congressional response.

We also determined, however, that a lengthy regulatory process would not be necessary, given the specificity of the law. Therefore, as soon

as the rescission waiting period expired in mid-April we moved to implement the law with the more expeditious Federal Register notice procedure.

Dependent Care Program

The authorizing statute for this program was also enacted in October 1984, but the Congress made no funds available to implement this program until December 1985. As with the Chal enge Grants program, we believed this program duplicates Federal funding and authority available under previously existing Federal law, and therefore formally requested a rescission of the appropriated funds in early 1986.

We determined that for this program as well a lengthy regulatory process would not be necessary and that the program could be implemented with procedural instructions to States contained in a Federal Register notice. Once the rescission period expired in mid-April, this action was put underway, and the Federal Register notice was published on April 28. State applications are due by June 27, and the funds will be awarded as soon as possible after receipt of applications.

Long Term Care Gerontology Centers

We are quite sensitive to the strong Congressional interest in these projects, expressed in appropriations committee report language accompanying the FY 1986 appropriations. The Administration on Aging (AoA) communicated with the Centers last year, encouraging them to apply for awards available under the Office of Human Development Services' FY 1986 Coordinated Discretionary Funds Program Announcement published in the Federal Register on September 4, 1985. We were pleased to learn that many Centers applied for support under this announcement. Decisions on funding under the competitive grant process will be made in the near future.

In regard to the grants previously made to these Centers, AoA first funded nine major universities around the country in 1979 to develop Long Term Care Gerontology Centers. On September 29, 1985,

these nine Centers successfully reached the end of their project period, ending AoA's five year financial commitment. Two additional Centers were funded in 1982 and continue to receive AoA funds. Cumulatively, these eleven Centers have received approximately $18 million in non-competing grants from AoA. With these and other funds, they have developed a broad range of knowledge and expertise in the field of long term care.

It was never intended that Federal funding for the Centers would continue indefinitely, and no such commitment to them was made. The AoA funding commitment was for a planning and operational period of four to five years. AoA guidelines to all grantees over the years have consistently reinforced the need to become self-sustaining by generating other sources of support through other sources. In fact, the Centers have generated approximately $24 million of other resources. The nine Centers, whose project periods ended at the close of FY 1985, now have the capacity to be self-supporting through a variety of sources.

The Centers have a great deal to contribute to the field of aging, and we will be pleased to award grants to Centers that compete successfully in our FY 1986 grants process.

Question for the Record - May 15 Hearing

Senator Bradley

Question: I am concerned about the grant review process under your direction. As I understand it, outside reviewers normally rank applications for discretionary grants. This assures that programs are funded on the basis of merit and published guidelines -- not politics. Yet under your leadership a majority of the programs funded were not among the most highly rated by review standards, but were funded "out-of-order". I understand that "out-of-order" funding can occur for some legitimate reasons, for example to give minorities who might not be experienced in writing grant proposals, a helping start. However, your out-of-order funding rate is far above that, for example of NIMH. Can you tell us why this happened?

Answer: Our grant process is quite different, both in content and procedure, from that administered by NIMH.

First, NIMH funds primarily clinical medical research, and does not fund many service delivery demonstrations. The opposite is true for HDS. We are primarily interested in demonstrating innovative means for more effective delivery of social services.

NIMH grant requests tend to be very narrowly focused, so that only a few institutions will be eligible. Each panel reviewer typically is able to review all applications in a particular competition. In the HDS process, we may receive as many as 150 applications in a particular priority area, and each reviewer can only review at most 10 or 15 of them. Therefore, it is absolutely necessary to take the review process one step beyond the panel review so that scores and elements in addition to the rankings can be considered across the range of all applications.

These additional elements are spelled out very specifically in the Federal Register funding

announcement, so that every applicant has this information before applying. These factors may included such elements as geographic distribution, urban/rural balance, ethnic representation, private sector involvement, or use of volunteers.

Nevertheless, panel reviewer scores are the primary element in the selection process. In the FY 1985 Coordinated Discretionary Program grants process, eighty-two percent (82%) of funded applicants had scores of 70 (out of 100) or better, and less than 5 percent (5%) received scores of 50 or below. When such applications are funded, it is typically because they propose low cost/high risk innovative ideas that, if successful, could make major contributions to solving a specific problem.

I am very proud of the fact that our grants process has made Federal funding available to a wider range of small community-based organizations with good ideas but less sophisticated proposal-writing skills. The percentage of grants going to this type of group went up from 5 percent before the Coordinated Discretionary Program to an average of 35 percent during the five years this grants program has been in effect. Since most of the organizations serving minority groups fall into the category of small, community-based non-profit groups, we are also pleased that minority participation in our grants program has increased, along with substantial increase of minority participation in the review panels.

The Coordinated Discretionary Program has been an extremely successful and cost-effective mechanism to promote social and economic development strategies across all of the vulnerable populations we serve.

Question for the Record - May 15 Hearing

Senator Grassley

Question: Much concern has been expressed to me by constituents in regard to the Social Security "notch" problem. No action has yet been taken by the Congress, and an amendment I offered to the reconciliation bill to mandate a study on the issue was dropped in conference committee by the House. Do I have your commitment to take a close look at inequities that may exist from the creation of the "notch" and to determine what corrective actions, if any, may be appropriate? Would your agency be willing to work with the Department of Health and Human Services to study this problem for the Congress?

Answer: Yes. I believe the Social Security Administration (SSA) should take a close look at inequalities which may exist from the creation of the "notch." It is my understanding that the General Accounting Office (GAO) has been asked to conduct a complete investigation of how the "notch" arose, what beneficiaries are affected by it and what alternatives exist for financing any increases in benefit expenditures that would result from remedial legislation in this area. SSA will be working with the Department of Health and Human Services in cooperating with GAO and providing assistance in this study.

This study is scheduled to be completed by Fall 1986, at which time we will look forward to discussing this further with you.

Question for the Record - May 15 Hearing

Senator Grassley

Question: As I am sure you are aware, there was much concern among the elderly population as well as members of this committee about the early redemption of trust fund holdings as a result of a Congressional impasse in passing an extension of the debt limit. I understand that adjustments have been made in full to the trust funds to account for any interest loss arising from that episode. In the event that a similar situation occurs in the future, what would you do to ensure a proper response by the Administration, and that members of the committee are notified of actions taken pertaining to the trust funds?

Answer: The fact that those actions occurred is of great concern to me, and I think we should do all we can to ensure that they do not happen again. Nearly every American worker relies in some way or another on the Social Security programs, and we must maintain its fiscal integrity. The trust funds must remain in strong financial condition.

The Social Security law vests trust fund management authority with the Managing Trustee (the Secretary of the Treasury) and vests responsibility for reporting to the Congress on trust fund matters with the Board of Trustees. In testimony before the Senate Committee on Finance and the House Ways and Means Subcommittee on Social Security, the Department of the Treasury indicated a strong commitment to keep Congress apprised in a timely fashion of the Secretary's trust fund management practices.

Also, legislation concerning the Managing Trustee's discretion with regard to trust fund investment and disinvestment practices is currently being drafted. I strongly support legislation along these lines and will do everything within my authority to ensure that you are informed of actions affecting the Social Security trust funds in a timely manner.

Question for the Record - May 15 Hearing

Senator Grassley

Question: Criticism has been levied against your agency for efforts to close Social Security offices and to make SSA's administration more efficient. What will be your approach be to these efforts to streamline the agency, and how will you maintain access for Social Security beneficiaries?

Answer: As I indicated in my statement before the committee, service to the public will have a very high priority.

Reviews of service delivery in the field are aimed not at closing offices, but rather at adapting SSA's field structure to changing conditions--shifts in population, modernization of claims processing and, in some areas, failure of expected workloads to materialize. The long-range purpose of the new service delivery review procedures is to assure that SSA provides the most effective and efficient public service.

The current procedure is to notify the congressional delegation of proposals to close offices or convert them from one classification to another. I will commit to ensuring that this notification takes place 30-60 days in advance.

Question for the Record - May 15 Hearing

Senator John Danforth

Question: The last round of disability reviews caused a tremendous backlog of cases at the St. Louis Hearings and Appeals Office which resulted in very long delays. Recently, the Social Security Administration published new mental impairment criteria under the Social Security Disability Benefits Reform Act of 1984. Pending publication of these new standards, many mental impairment cases were put on hold. I understand that there is now a substantial backlog of these particular cases in St. Louis.

What do you plan to do to prevent another logjam in the appeals process, while still providing beneficiaries with a fair hearing?

Answer: When the new mental impairment regulations were published, the Office of Hearings and Appeals reviewed all pending cases to identify those where a mental health professional had confirmed the presence of a mental impairment. If the case could not be allowed on the basis of the existing evidentiary record, the claimant was sent a notice providing the option of having his or her case remain with an administrative law judge (ALJ) for adjudication under the new criteria or return to the State Disability Determination Service (DDS) for a new decision under the revised criteria. Of the 41,200 cases identified, 4900 were allowed on the existing record, 16,100 opted to remain with the ALJ, and 20,200 opted to return to the State DDS for a new decision with full appeal rights.

It is my understanding that the five ALJs in the St. Louis Hearing Office had a pending workload of 610 cases at the end of April or 122 cases each, slightly below the national average.

while hearing workloads nationally and in St. Louis are now relatively low, I will assure that the Office of Hearings and Appeals monitors the caseload situation in each office and when backlogs in a particular office do occur, corrective action will be taken.

Question for the Record - May 15 Hearing

Senator John Danforth

Question: The Social Security Disability Reform Act of 1984 required that a Commission be established to evaluate pain in determining eligibility for disability benefits. Has the Pain Commission completed its study and how will its findings be used in the disability reviews that take place in the current fiscal year? A related question is what is the standard being used now to evaluate whether subjective pain is disabling?

Answer: The Commission on the Evaluation of Pain has met six times since May 1, 1985 and has largely completed its study of the issue of pain as a factor in disability eligibility. The final report is now being reviewed by the 20 Commission members who are expected to clear it within the next few weeks.

We expect that the Commission findings will form the basis of a dialogue between the Department and Congress on how we can best approach this very complex and difficult issue.

SSA currently follows the legislative standard in section 3 of the 1984 amendments in evaluating cases involving pain. This standard, which incorporated the SSA pain policy in effect at the time the legislation was passed, says that the claimant's statements alone about pain shall not be a conclusive evidence of disability. There must be evidence (signs and findings) of a physical or mental impairment that could reasonably produce the pain alleged. Objective evidence established by medically acceptable techniques must be considered in conjunction with the claimant's and/or his physician's statements about pain in determining disability. On August 1, 1985, SSA issued national instructions about pain evaluation particularly emphasizing the new statutory standard.

Question for the Record - May 15 Hearing

Senator Moynihan

Question: Do you believe the actions taken last fall by the Secretary of the Treasury with regard to Social Security Trust Fund investment were legal?

Answer: I have been advised by the General Counsel of HHS that it would not be appropriate for me to take a position on the "legality" of actions taken by the Secretary of the Treasury with respect to the performance of his duties. I do, however, have some comments on the issue.

I have reviewed the GAO report of December 5, 1985, regarding actions taken by the Secretary and I agree with the report. I would like to quote from pages 9 and 10 of Appendix I of the GAO Report a paragraph and a footnote regarding the actions of the Secretary of the Treasury.

> "In sum, it appears on the basis of the information now available, that the Secretary redeemed or failed to invest the Trust Funds' assets in amounts and for periods of time greater than absolutely necessary to pay social security benefits. However, this is a judgment reached only with the benefit of hindsight. The Secretary was required to act in a complex and fluid situation, without the benefit of all the information now available. 2/ Further, the Secretary had many other duties to carry out, including managing the government's finances and investing assets of and making payments from other government-managed trust funds. Under all the circumstances involved, we conclude that he did not act unreasonably."
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> 2/ Because of the complexity of Treasury operations, the Secretary is unable to know at any given time the exact operating balance in the cash account or the exact amount of debt. Much of the information he has is based on estimates. To provide a safety margin against inadvertent statutory violations, it is Treasury policy to try to maintain a minimum cash balance and to leave a small amount of debt unused. We find these procedures to be reasonable.

Given the provisions included in the debt limit legislation for restoring the trust fund situation, balances in the Social Security trust funds today, as well as the funds' portfolios of assets, are essentially the same as they would have been had there been no debt limit crisis.

I think it is important to acknowledge that the Secretary of the Treasury acted reasonably in a difficult situation, but that does not preclude our deploring that it happened at all. The fact that those actions occurred is of great concern to me, and I think we should do all we can to ensure that they will not occur again.

It is vital to maintain the fiscal integrity of the Social Security programs. Over 40 million older Americans, the disabled and their families currently depend on these programs. Virtually every American worker is investing in, and has a future interest, in Social Security. The system depends a great deal on public confidence, and we cannot afford to allow that confidence to be shaken.

The Social Security law vests trust fund management authority with the Managing Trustee (the Secretary of the Treasury) and vests responsibility for reporting to the Congress on trust fund matters with the Board of Trustees. In testimony before both the Senate Committee on Finance and the House Ways and Means Subcommittee on Social Security, the Department of the Treasury indicated a strong commitment to keep Congress apprised in a timely fashion of the Secretary's trust fund management practices. Additionally and as you know, in a letter to you of December 20, 1985, Treasury Assistant Secretary for Legislative Affairs Bruce E. Thompson, Jr. indicated that the Secretary has established Treasury Department policy that Congress and the trustees be kept informed on "significant matters affecting the Trust Funds.".

Also, legislation concerning the Managing Trustee's discretion with regard to trust fund investment and disinvestment practices is currently being drafted. A copy of a draft bill now being reviewed by committee staff is attached. This legislation will require, among other things, that the Managing Trustee report monthly to the Board of Trustees on the operation and status of the trust funds and that the Congress be notified no less than 15 days before the Treasury Secretary estimates possible consequences to the trust funds by reason of the public debt limit. I strongly support legislation along these lines and will do everything within my authority to ensure that you are informed of actions affecting the Social Security trust funds in a timely manner.

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STATEMENT OF CITIZENS' COMMITTEE ON AGING
OF THE COMMUNITY COUNCIL OF GREATER NEW YORK
SUBMITTED TO THE COMMITTEE ON FINANCCE
OF THE UNITED STATES SENATE
ON THE OCCASION OF THE NOMINATION OF DORCAS R. HARDY
TO BE UNITED STATES COMMISSIONER OF SOCIAL SECURITY
MAY 1986

The Citizens' Committee on Aging of the Community Council of Greater New York has been advocating on behalf of older people for more than a quarter of a century. During this period, the Committee can lay claim to a number of important accomplishments, including playing a major role in the creation of the New York City Department for the Aging, the passage of a $500 million bond issue for the construction of non-profit nursing homes, and more recently a study of our Social Security system which paralleled that of the National Commission. We like to think that our recommendations had some influence on the outcome of the National Commission's proposals and subsequent legislation which "saved" (sic) the system!

We are therefore extremely concerned about the appointment of a new Commissioner of Social Security. On the basis of what we know about the nominee it seemed compelling that we take a position and forward it to your Committee.

We are hard-pressed to find anything in the record of Dorcas R. Hardy as Assistant Secretary for Human Development Services of the Department of Health and Human Services to warrant her selection as Commissioner of Social Security. In fact, the contrary argument is much more obvious to us. We have been unable to identify that the nominee has had any previous experience with social insurance policy and administration. In the areas in

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which we can identify a proven record, we are forced to point out that Ms. Hardy has been responsible for developments within the Office of Human Development Services which have had the effect of virtually eliminating any effective advocacy within the Federal government in the fields of services for the aging and the developmentally disabled. She has been responsible for interfering with the normal and much-needed practice of consultation by Federal Regional Offices with the States they were designed to serve. She has ignored legitimate requests for information and responses to Committees of both Houses of the Congress. She stands accused of ignoring the recommendations of expert panels in the determination of how child abuse and other programs should be funded.

Given the legacy of Arthur Altmeyer, Wilbur Cohen, Robert Ball and the other notable architects and administrators of our remarkable Social Security system, our view is that it should be clear that the older persons and other beneficiaries of our system, numbering some thirty seven million, deserve a more appropriately concerned defender and advocate for the system than has been selected in this instance. It is our belief that, were her appointment to be confirmed, her leadership, in combination with some of the Budget reductions currently proposed for the administration of the Social Security system, would combine to have a most destructive effect.

We therefore earnestly oppose the nomination of Ms. Hardy and will urge the President to withdraw her nomination to this most critical leadership position. In the same vein, we urge that the members of the

Senate Finance Committee look long and hard at this nominee. We find it extremely difficult to believe that anyone who supports the concepts of social insurance and is concerned about the millions of Americans who are largely or totally dependent on Social Security for their sustenance would want to see Ms. Hardy installed in this vital responsibility.

If you share our concerns for the years ahead and the many crises that the system will undoubtedly undergo, we believe that you must find, as the Citizens' Committee on Aging has, that it is not in the best interests of this country to confirm this appointment. We urge you to reject this nominee.